

— BY SAM LICCARDO —

# SAFER CITY, SMARTER GOVERNMENT

A Plan For San José's Future



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**"IN A FIELD OF FIVE TO SUCCEED CHUCK REED, LICCARDO IS BY FAR THE MOST THOUGHTFUL, CREATIVE AND CAPABLE OF LIFTING THE CITY BEYOND ITS FISCAL LIMITATIONS TO THRIVE AS THE URBAN HEART OF SILICON VALLEY. IN FACT, HE WROTE THE BOOK."**

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# INTRO:

## It's Your City

**IT'S YOUR CITY.** And it should work for you.

You vote for it, pay for it, you use it — this is your city government.

A lot of politicians talk in vague generalities about how they'll improve safety, jobs or roads. You deserve more than rhetoric from your elected leaders, though. Before you cast your ballot, you deserve to know exactly how each candidate will make San José safer and stronger — and how they'll pay for it.

To be sure, San José has plenty of challenges ahead. We face \$3 billion in unfunded retirement liabilities, and over \$1 billion in backlogged infrastructure and street maintenance. Budgets will remain thin for years to come.

Nonetheless, we can do better. Even in times of scarcity, we can restore safety and services, if we are willing to do things differently. As a city councilmember and former criminal prosecutor, I've served our community during very challenging fiscal times, but I've seen how we can accomplish more by being more resourceful, more efficient, and above all, more innovative.

I will lead the most innovative City Hall in the nation. From the heart of Silicon Valley, San José should show the world how government can do more, without always spending more.

I've focused this book on three basic challenges confronting San José: public safety, the budget and jobs:

■ **RESTORING PUBLIC SAFETY**

In addition to ensuring that we fully implement my own Council-approved strategy to hire more officers with savings from pension reform and other sources, our next mayor must focus on ways to make San José safer as we're rebuilding our police department. I've focused on restoring community policing, leveraging technological tools like data analytics and on-line video registries, emphasizing gang prevention and other cost-effective and proven approaches.

■ **SPENDING SMARTER**

We can make government more cost-effective and fiscally responsible by cutting red tape, promoting public-private partnerships and implementing "Fresh Start" budgeting. We must begin, however, by paying our own bills — rather than passing them along to future generations.

■ **BROADENING ACCESS TO HIGH-WAGE JOBS**

We can expand economic opportunities for all our residents by helping small businesses with faster permitting and support, using low-cost incentives to spur manufacturing growth in San José, implementing congestion pricing to restore flights at our airport and leveraging our libraries as skill-building centers for job seekers.

After reading this book, some readers will complain that the book "left this issue out" or "ignored that issue." The response, of course, is "yes, I did." Certainly, I've taken a leading role on a wide variety of initiatives in my career, including the environment, the arts, education, transportation, parks and housing. But I've intentionally focused this discussion because San José will fail at everything else if we cannot get the basics right. If San José will thrive in the coming decade, we must restore safety, improve our fiscal capacity to provide services and expand job opportunities in many of our struggling communities. With good leadership, the rest will follow.

## WHY THIS BOOK IS DIFFERENT

This book is different from the books written by most elected officials, in two ways.

First, I wrote it. Many politicians employ ghost writers. Don't get me wrong; I'd employ a ghost writer if I could afford one. I'd probably employ somebody to repair my back porch first, but after that, I'd employ a ghost writer. But I wrote this.

Second, it's not about me. It's about San José — and San José's future.

Many elected officials tend to write a lot about themselves. Since we're typically surrounded by lots of people who commend us for our allegedly wonderful intellects, gasp at our purportedly insightful opinions and laugh at our less-than-humorous anecdotes, over time, we tend to believe them. So, we talk a lot about ourselves, and we write a lot about ourselves. The problem, of course, is that many politicians are not terribly interesting people.

Cities — and specifically, San José — are far more interesting. Cities remain the last bastion for creative, effective solutions to the world's most intractable problems — poverty, crime, environmental degradation and more. Congress appears mired in partisan politics, and California in debt and dysfunction. As a result, the great innovations in governance — whether it's bus-rapid-transit in Bogota, bike infrastructure in Copenhagen, Compstat in New York City, or *bolsa familia* in Mexico City — happen in cities.

San José possesses unique opportunities to provide exemplary problem-solving, innovation and far-sighted leadership for the rest of our nation. We are the largest city in the world's most innovative region. Comprising America's most diverse, most dynamic and most talented collection of human beings, the time is far past due for San José to lead the world.

In short, San José's future seems well worth a read, since it poses both interesting questions for the mind and inspiring fodder for the heart. I look forward to working with you to lead San José to its extraordinary future.

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# CHAPTER 1:

## Taking Back the Streets for a Safer San José — Starting With a Return to Community Policing

**HOW CAN A MAYOR** better support our officers' good work in battling crime in the city and restore our sense of safety? In this chapter you'll find ten elements of a strategy to restore San José's prominence as America's safest big city.

Plenty has been written and said already about the need to add more police officers, but I've actually crafted a strategy to do so, along with Mayor Reed. We obtained Council approval of that plan in the Fall of 2013, and we've begun implementation.

For reasons we'll explore shortly, however, restoring public safety in San José will require far more than merely adding officers to our ranks. Adding officers will require tens of millions of dollars of ongoing funding, and several years of recruiting, screening, hiring, instruction and training before enough officers will be street-ready.

The real question, then, is what will we do in the meantime? That is, while we're finding the money, assembling the resources and completing the hiring and training, what do we do to address crime?

We'll need to be smarter, more efficient and more innovative. This requires going beyond bumper sticker solutions that merely fan the emotional flames around crime, and focusing on how we can more effectively leverage the resources we do have.

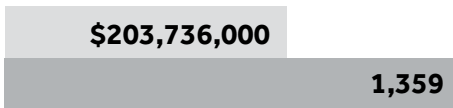
# 1. Hire More Cops

Nobody doubts that we should do all that we can to bolster the size of our police force, and to give our hard-working officers relief from repeated overtime shifts with additional patrol. In the wake of budget cuts, pay cuts and benefit reductions, we've lost over 400 officers in recent years. Some were laid off in 2010, others retired, and others chose to work for better-paying departments.

An important aside: I vocally supported pension reform, and I gratefully approved the decision of the police officers to accept a 10% pay cut. I knew that if we didn't do those things, we'd be laying off hundreds more officers — particularly during the gut-wrenching budgetary shortfalls of 2009, 2010 and 2011. I knew well that **San José taxpayers already spend almost 50% more on policing than we did a dozen years ago**, but spiraling costs for benefits like pensions have forced a roughly 20% reduction in the size of our police force. Given the near-certain continued escalation of those costs, I knew that we had to cut, at considerable short-term pain — or to pay a much larger price well into the future.

## Policing in San José: Spending More, Getting Less

### 2001–2002



### 2013–2014



- Police General Fund Expenditures
- Sworn Police Officers

Source: <http://www.sanjoseca.gov/ArchiveCenter/ViewFile/Item/2054>  
<http://www.sanjoseca.gov/DocumentCenter/View/22878>



With some cost reforms in place, and with mildly recovering revenues, we can now begin to restore the staffing at the Police Department. We must do so. It can only help to boost detective bureaus to help arrest perpetrators likely to commit more crime, or to increase patrolling in specific high-crime “hot spots” to deter gang activity.

For that reason, in August of 2013, **I crafted a plan with Mayor Chuck Reed to restore our thin policing staff by over 200 street-ready officers within four years**, a 20% increase in patrol staff. The Council approved the proposal by a 10–1 vote in September.

The cost of that proposal could reach \$50 million. Within the proposal, Mayor Reed and I identified about \$35 million in funding sources for the new hires. As Mayor, I am committed to additional savings to cover the rest.

In October, we implemented the first aspect of that strategy by committing to restore pay cuts in the next three years. We also implemented a one-time retention incentive, as I’d proposed with Councilmember Pete Constant months before, to keep talented officers on board.

Critically, we did all of that without returning to failed policies of the past. Those approaches — promising unsustainable pensions, retiree medical benefits, sick-leave payouts or other costly benefits — might or might not stem the tide of officers leaving San José for higher-paying cities, but they’d certainly put the City on a path to bankruptcy.

## **OFFICER RETENTION**

Three police academy classes have graduated since we have resumed hiring last year, adding dozens of officers. That’s not the end of the story, unfortunately: with officers departing the department for higher-paying jobs in other cities, we have to work to retain them.

Media accounts of freshly-badged officers fleeing for higher-paying departments has stuck in the craw of many tax-paying San José residents. Given the roughly \$170,000 cost of recruiting, educating and training an officer in San José, we would all rather not see our tax

dollars used to have San José’s finest patrolling the streets of Los Gatos or Palo Alto.

Unfortunately, state law imposes restrictions on our ability to require footloose officers to “pay it back.” Most lawyers would say that any “clawback” of wages or training costs would be a subject that must be negotiated within the contract with the police union. That is, the *Myers-Milias-Brown Act* requires that we negotiate any term of compensation with the union and reach agreement. Not surprisingly, the police union is not interested in a deal that might undermine the financial status of their members.

Recently, I’ve proposed an alternative: a loan. That is, my proposal would require an aspiring recruit to sign a contract even before she enters the Police Academy, clearly requiring that if the officer does not serve some minimum term (say, four or five years) in San José, then she (or more likely, her hiring city’s police department) would swallow a percentage of the training costs.<sup>1</sup> While the attorneys determine whether we can move forward with such an approach absent union agreement, I will insist that a similar measure be included in the next contract we sign with the police union. As Mayor, I will not support any pay increase before we ensure that the investment that our taxpayers, residents and Police Department make in our officers will be protected.



That being said, there remain areas of common agreement with the police union where we can improve retention. The rank-and-file's misgivings about changes in disability protections for officers injured in the line of duty have undermined morale. I've pushed for clarification of those changes through the Municipal Code, and Council recently proposed such a change, to ensure that officers suffering career-ending injuries can have access to desk job at the same level of pay. If the union agrees to those protections, we can ensure that no officer feels financially vulnerable to the risk of injury. By clarifying disability protections and restoring pay at a rate we can afford, we can find common ground.

### **WHAT DO WE DO IN THE MEANTIME?**

Now, if we just hire officers faster, and retain our existing officers, we should “solve” our crime problem. Right?

Not quite.

The conventional wisdom, particularly as described by the media, urges us to believe so. If we just hire more cops, and do so faster, we'll see much less crime.

There are two problems with this line of thinking. First, there are natural constraints to the rate at which we can hire more police — the budget being only one (though a very big one) of those constraints. San José's police academy's capacity, the number of field training officers on duty, and other limited resources constrain the rate of new hires to roughly 90 per year. We've just added a third Academy class this year, but still, there remains a limited supply of the highly qualified candidates that meet San José's rigorous standards for hire. In one council hearing after another, and in multiple meetings with police brass, I've pressed and probed for ideas around using other city's academies, incentivizing lateral hires from other departments and the like, and the answer is the same: we're hiring as fast as we can.

This will take time — perhaps four years — before we can confidently say that we'll have another 200 officers on the street.

So, a more important question for an aspiring mayor is, “What will you do in the meantime?”

## **MORE POLICE OFFICERS HELP, BUT ARE NO PANACEA**

The second defect in the conventional wisdom surrounding our crime problem in the media is that more officers may not “fix” our crime problem. In other words, if we do little more than merely add officers, we won’t likely see substantial reductions in crime.

Why not?

Our experience — and most studies — show a surprisingly uncertain relationship between crime rates and police staffing. Many cities in the Bay Area have seen large surges in property crime in recent years, even in cities where police staffing has increased or remained stable.<sup>2</sup> In San José, far higher rates of all crime — both violent and property offenses — prevailed in the late 1980s and early 1990s than today. Remarkably, San José in those years had many more officers — both in absolute numbers, and per capita — than today.<sup>3</sup> Indeed, major crimes in San José *dropped* by 10% last year — a fact that the scandal-driven media is unlikely to report — even as the number of officers has dwindled.

More police officers can certainly help, but criminologists insist that larger social and economic factors generally drive crime trends. Those factors — such as illicit drug and alcohol use patterns, age demographics, employment opportunities for young males, school drop-out rates, widening income inequality, and the like — ebb and flow with little regard to police staffing.

For example, over the past three years, some 35,000 inmates have been released from California prisons as a result of the state’s “realignment” policy. The jury remains out about the impact of realignment.

Prompted by a court order to reduce overcrowded prisons, tens of thousands of felons have now become the responsibility of cities that lack any new resources to prepare for the infusion of thousands of felons into their communities. While Santa Clara County’s Office of Probation may be doing all it can to address that challenge, other

counties may not be, and ex-convicts in other counties don't necessarily remain where they live — particularly where there are inadequate resources to house, train or employ them. We see many Alameda County probationers in San José, for example.

Numerous other factors play a role. Cuts in state and county mental health and addiction treatment services leave San José with more untreated, unstable individuals on the streets. The economic recovery has brought rapidly rising rents, and a lack of affordable housing pushes many people — some of whom may have a proclivity to commit crime, while others might merely steal for survival — into more desperate circumstances. Some even blame technological change; one San Francisco account attributed the 22% increase in property crime in that city in 2013 to the increasing prevalence of easy-to-steal smartphones and tablets.<sup>4</sup>

What is the point of all of this? Is anyone suggesting that we don't need our police officers to halt crime?

No. All things being equal, more officers will help us to reduce crime. But all things are not equal. There are many changing factors in this fluid picture. More police, without better strategy employment won't alone solve the problem.

So, a safer San José requires far more than reciting the tired maxim that “we need more cops.” We also have to do things differently — and spend our scarce resources more efficiently. Restoring public safety within our means requires, simply, innovative thinking.

## 2. Leveraging “Force Multiplying” Technology and Approaches to Support Our Officers

### DATA ANALYTICS

During the Spring 2013 budget process, at the peak of public concern about crime, some of my colleagues urged that we purge every fund possible to hire more police officers. We allocated more funding for cops, a decision that I supported. But I also publicly advocated for modest funding: for an additional crime analyst position.

Why an analyst? What will somebody behind a desk with a computer do to help us combat crime?

We all agree on the need to hire more officers. But a police officer costs taxpayers \$190,000, and for half as much money, we could hire a data analyst to implement a tool that could make our existing force of over 900 officers far more effective.

How? Through predictive policing. Using the same data analytics tools as many of our Silicon Valley companies, we can process and interpret large quantities of data to anticipate where crime “hot spots” will likely emerge.

“Hot Spot” policing — concentrating police patrols at “problem blocks” within a city — has long shown to be effective as a means of reducing aggregate crime.<sup>5</sup> The strategy relies on an intuition well-founded on experience: criminals tend to focus their work within relatively small geographic areas, a couple of blocks at a time.

This begs the question: how do we effectively identify those “hot spots”? Many cities’ police departments implement a simple “cops on dots” approach: dots on a map indicate where a crime has been reported, and officers are deployed to focus on the “dots.” Borrowing from then-New York City Chief William Bratton’s successful approach with “CompStat” in the 1990s, many police chiefs — including San José’s — have successfully reduced crime through “hot spot” policing using this simple tool.

Yet crime migrates geographically. Burglars don't hit the same houses, or the same blocks, in successive weeks. Identifying where crime *is now* won't necessarily do much to tell us where the crime *is most likely to occur* in the future.



In recent years, companies like PredPol have used data analytics and sophisticated algorithms to help police anticipate those movements in criminal activity for property crimes like burglaries and auto theft. By doing so, their software can provide a “force multiplier” for a very thinly staffed department, like San José’s. In Los Angeles’ Foothill Division, the department employed predictive policing software to reduce crime 13% in four months, while the rest of the city experienced a 0.4% increase in crime. Other cities, like San Francisco and Sacramento, have increasingly taken on PredPol as well, with positive results.

I have urged San José to take the lead in employing this innovative approach. My proposal for an analyst position to support that transition was not incorporated in the 2013 city budget, but the police have moved forward to explore a pilot project with PredPol software. More can be done. The department will need civilian support staff capable of processing and interpreting data to make predictive policing work, and ensuring that officers have actionable and readily available

information. While we have many needs in our understaffed police department, we should start by funding those lower-cost initiatives that can provide a “force multiplier” for our existing officers.

## **OFFICER-MOUNTED CAMERAS**

Technology can help our short-staffed police in other ways as well. Video camera technology has evolved to the point where any officer can wear a micro-device on her or his uniform, without interference or nuisance, and adequately record whatever transpires in the officer’s presence. Though far from exotic, this technology can save thousands of police officer hours annually, along with millions of dollars from thin department budgets.

Here’s why: our officers spend thousands of hours each year sitting in court, waiting their turn to testify in routine hearings in which criminal defendants and their attorneys challenge the lawfulness of an officer’s seizure of evidence, or of an arrest or of an interrogation. Those hearings routinely result in a judge’s finding that nothing improper occurred. Nonetheless, every defendant has a right to such a hearing under the Fourteenth Amendment; with nothing to lose, many defense attorneys will “roll the dice” to see if something untoward turns up during their cross-examination of the officer. When the hearing concludes, and a judge renders her finding, defendants often plead guilty.

Our city also spends millions of dollars each year defending — and paying out settlements for — civil rights lawsuits filed by individuals alleging maltreatment or police misconduct of some kind. When their claims are substantiated, wrongdoing is exposed, plaintiffs are compensated and officers are disciplined. Cameras would hasten those findings: the “bad apples” would be exposed unequivocally, and good officers would not have their reputations sullied by false accusations.

Much more often, hundreds of hours and thousands of dollars are expended in largely frivolous claims. Settlements are paid out by frustrated city councils that can more cheaply pay, say, \$50,000 to “make the case go away” than to spend \$200,000 in attorney time



battling in court. These “nuisance settlements” add up. Nationally, cities spent some \$2.2 billion on legal settlements and jury awards alone — not counting the millions of hours of lost officer and attorney time.

In every case, consider the millions of dollars that could be saved if factual disputes about “what really happened” were immediately resolved with a videotape recording. As Independent Police Auditor LaDoris Cordell has long advocated, I proposed in early 2012 that the City avail itself of federal grant funding to acquire of officer-mounted micro-cameras, which would videotape routine events during the officers’ shifts.<sup>6</sup> Although we did not obtain funding in that grant cycle, more recently, several colleagues joined in to call for implementation of body-worn cameras. The Police Department has now begun serious evaluation of the implementation of this technology. We need to get this initiative over the goal line because a relatively small investment in this technology could pay huge dividends, particularly by freeing our time-strapped officers to spend more time in our neighborhoods than in court.

### **“CROWD-SOURCING” PRIVATE VIDEO SURVEILLANCE**

Residents glued to their nightly news stations during the recent serial arson attacks east of Downtown will attest to the power of privately-generated video footage in identifying the suspect. Residents near targeted homes captured the arson suspect pacing before and after the arsons, enabling police to corroborate sketch artist descriptions of the suspect, and to identify patterns of behavior helpful to his ultimate arrest.

With the spate of burglaries and auto thefts, many more residents are purchasing video security systems for their homes, and in any given neighborhood, dozens of such systems proliferate. Many of us are uncomfortable with the idea of “Big Brother” watching our every move, but nobody objects to the idea of police asking residents to provide video footage when a crime has occurred nearby.

An opportunity exists here to leverage these collective efforts. Some

cities are asking residents, shop owners and other property owners to voluntarily register their video cameras, and to indicate areas are covered by them.<sup>7</sup> In Philadelphia, police have used their “SafeCam” program to provide evidence leading to 200 arrests. Residents can readily do so online, and little city staff time is required to maintain a simple database.<sup>8</sup> We can also strike deals with security system installers to offer group discounts of video systems where residents choose to register them.

This simple use of familiar technology can save investigators hours of painstaking effort to find residents with video footage. Most importantly, since many of these systems will only store video records for a few days, we can ensure the preservation of often-crucial video evidence.

## **SOCIAL MEDIA AND GANG CRIME**

Finally, even social media can assist in crime fighting. Chicago’s anti-gang efforts have relied on Facebook and Twitter to identify and map the social networks of perpetrators and victims of gang violence, and to proactively make contact with those individuals after gang violence has occurred.<sup>9</sup> Why? We know that gang crime breeds more gang crime, in the form of retribution against a rival gang for a killing, or by those gang members who “claim turf” in response to recent intrusion to their neighborhood. Friends and associates of gang violence victims have an extremely high propensity to become involved in subsequent violence, as victims or as perpetrators. By leveraging technology to better anticipate — and prevent — violence, we can better deploy our scarce officers where they will have the most impact.

## **CIVILIANIZATION**

As we face challenges in hiring officers quickly enough to restore our depleted department, we need to leverage the work of civilians to ensure that officer time will be focused where it will have the biggest impact. Currently, the Police Department has several dozen vacant positions in the sworn positions, and the Chief has budgetary

authorization to hire a far larger number of officers than he can possibly screen, hire, train and deploy.

Given the less stringent requirements, less extensive training and lower cost of non-sworn personnel, it makes sense for us to focus on hiring whomever we can to help take on the less critical tasks of the Department.

For example, for years in my tenure at the DA's office, I was surprised by the frequency with which sergeants and other detectives in an Investigations Unit would answer incoming calls, and play "receptionist" for other investigators. Obviously, the time dealing with calls and taking messages from prosecutors, members of the public, or others detracts that same detective from investigating a case. When I asked about this problem years ago, the response was typically, "Budgets are tight, so we had to let go of the civilians."

To the contrary, when budgets are tight — and particularly where we cannot hire officers fast enough to fill the obvious need — we should be hiring civilians wherever we can to substantially improve the efficiency and effectiveness of our sworn patrol officers.

In 2013, with a depleted patrol staff unable to respond to burglaries and other nonviolent crimes in a timely manner, the Chief experimented with the hiring of over twenty "community service officers" (CSOs). CSOs will perform the tasks that our overburdened officers lack the time to complete, such as taking witness statements, or lifting fingerprints at the scene of a burglary, or tagging and transporting evidence to storage.

While many Bay Area cities share our challenge in identifying and recruiting highly qualified officers to live in our high-cost area, we can hire more CSOs at a far lower cost to help focus sworn police on their most demanding tasks. The City should expand the CSO program, enabling existing officers to spend more of their scarce time investigating, deterring and responding to crime. Other opportunities for civilianization exist, and I'm willing to explore them.

### **3. Addressing Gang Violence: Investigations, Injunctions, and Alternatives**

Gang violence has long plagued every major U.S. city, and San José is no exception. San José has long touted what has become a national model for engaging non-profit organizations, the faith community, schools, and the police in gang-prevention and intervention with youth. Known formally as the Mayor’s Gang Prevention Task Force, it provides a good approach from which we can build our gang-prevention efforts.

Nonetheless, we still face high levels of gang-related crime citywide. We can do better.

First, we have traditionally rotated detectives in and out of our Gang Unit every three years. Just as detectives have begun to develop expertise, strong contacts in the community and awareness of the complex interrelationships of San José’s many gangs, they move on to patrol, or another job. This loss of institutional memory comes at a steep cost. We should lengthen the duration of an officer’s tour of duty in the Gangs Unit to at least five years.

Second, it’s been more than 16 years since the City sought its last gang injunction. These tools can become particularly valuable in disrupting deeply established patterns of gang dominance in particular neighborhoods, by implementing court-imposed “stay away” orders on gang members in key areas with disputed turf or a high propensity for crime. When seeking to implement gang injunctions, however, we frequently hear from our justifiably frustrated peers in the City Attorney’s Office and SJPD that they lack the manpower to be able to implement and enforce a gang injunction effectively.

Partnerships and technology can help. The District Attorney’s office has recently restored its “community prosecutor” positions, and has considered adding several more positions to that office. We could engage with DA Jeff Rosen to identify a single community prosecutor focused on establishing and enforcing gang injunctions. Leveraging video camera and storage technology that has become more affordable and ubiquitous, we can employ non-sworn staff to help monitor

compliance in gang-intensive neighborhoods remotely, and SJPD can enforce where violations are identified on video, by witnesses, or by the police themselves.

Third, as we restore personnel in our Police Department, we must prioritize the reformulation of the Violent Crimes Enforcement Unit (VCET), or its functional equivalent — such as by bolstering the Gang Suppression team. Staffing shortfalls have forced the redistribution of VCET tasks to officers in other units (such as MERGE and Gangs). This has diluted the ability of officers to focus on suppressing violent crime and arresting the most threatening suspects. Re-instituting the focus of a separate VCET unit, or at least bolstering the number of officers in Gang Suppression, can have a meaningful impact.

Fourth, we know of a strong link between truancy and crimes like burglary, theft and gang-related offenses. In Minneapolis, daytime crime dropped by 68% after police began to aggressively cite high school students who cut class. Student absences provide a clear indicator of another behavioral problem as well: one study showed two out of three juvenile males who were arrested for truancy also tested positive for drug use. Years ago, San José launched a very active Truancy Abatement and Burglary Suppression (TABS) program, but police staffing cuts eliminated that program. Recently, incoming Chief Larry Esquivel revived it with a small allocation of staff, for which I am grateful, but his department lacks the resources to expand it to an effective size.

Fortunately, we know that our school districts benefit from funding formula that relies on “average daily attendance,” or ADA. When we effectively deter kids from cutting school, districts earn more ADA funding from the state. It seems that there is room for a stronger partnership between school districts in the city to support truancy abatement, where both entities benefit financially and in desired outcomes.

Finally, a renewed focus on job-creation for at-risk teens could go a long way to reducing gang participation. With a recovering economy, we see new opportunities for engaging young people in the workforce,

but it won't happen automatically for many young men and women who lack the social networks or information to find opportunities. San José's leadership can encourage greater private-sector support for Year Up, Teen Force, the San José Conservation Corps and other jobs-focused programs. Where one-time resources exist from grants and cost savings, we should focus those dollars in summer employment programs for youth at city facilities, as we did with one-time Recovery Act funding in 2009.

We can also employ new models for engaging our youth in the workforce. Over the last two years, several private sector and community leaders and I co-founded a high school on the East Side known as Cristo Rey San José. This innovative model provides youth from very low-income immigrant families an opportunity to obtain a college prep education by working one day a week at the office of a local tech employer, bank, hospital or other professional setting. The employer pays for a large portion of the student's tuition and students typically go to school five of the remaining six days each week. Cristo Rey schools in Los Angeles and Chicago have enabled 100% of their graduates to go on to college — all of them the first in their families to do so, and all of them students who started high school a year or more behind academically. Best of all, young teens with no familial or social networks in the professional world obtain training, skills, references and resume-building that will enable their integration into the economic mainstream with their first job — a critical springboard for life.

#### **4. Restoring Community Policing**

In the 1970s, many big-city police departments devoted resources to beefing up investigation units and improving response times to calls for service. Building new substations, buying speedier patrol cars, and shinier crime labs, seemed a reasonable response to oft-heard complaints from residents about slow responses or unsolved cases.

The problem with all of this investment: it didn't do much to prevent crime.

That shouldn't surprise us. Even if officers could instantly tele-

transport themselves to crime scenes upon a call from a resident, only a very small fraction of crimes would actually be interrupted by an arriving officer. Rather, police responses to 911 calls are overwhelmingly reactive; a victim or witness has made a call after-the-fact, and the assailant and burglar has already left the scene. Contrary to popular belief, even the best police departments won't reduce crime by simply responding faster to calls.

In the 1980s, in a now-famous article, “Broken Windows,” criminologists George Kelling and James Q. Wilson proposed a different approach to policing.<sup>10</sup> Kelling and Wilson argued that effective deterrence requires a focus on “community policing,” whereby beat officers become proactive problem-solvers. They develop relationships within a community. They get out of their patrol cars and walk the streets, visit the schools, and establish a “felt presence” in the community. They engage with residents, business owners, teachers, and other key stakeholders to proactively identify ways to prevent crime.



In the words of Kelling and Wilson, they work within a community to ensure that a landlord fixes the broken window in her vacant storefront. Otherwise, the window's shattered glass will signal to the city's rock-throwing vandals that disorder will be tolerated in that neighborhood. Within a few days, all of the windows in the neighborhood will become their targets — unless the community and police work proactively together.

So it goes with a community's — and a police department's — response to a streetlight outage, a drunk urinating in the park or a liquor store owner who sells cigarettes to teenagers. Where community members work together with the police to address these warning signs before they become a “tipping point” into more predatory crime, a neighborhood can prevent crime.

Along with Kansas City and New York, San José pioneered community policing in the 1980s — with excellent results. Today, efforts to implement community policing continue to bear fruit; even crime-ridden Detroit recently announced an effort that reduced home invasion burglaries and robberies by 26% in one year.<sup>11</sup>

Community policing requires many elements, but above all, it requires a relationship between a patrol officer and a community. San José’s policy — long-enshrined in our contracts with the police union — has officers rotating out of neighborhoods as frequently as every 6 months. Just as they’re getting to know a neighborhood and its residents — and perhaps more importantly, just as some residents have begun to develop relationships with those officers — the officers move on. The trust and spirit of collaboration that develops between officers and a community takes time to develop, and six months is simply too short.

Neighborhood leaders have long urged that they want to build better relationships with the police, and they point to the 6-month shift change as a primary culprit. Their intuitions appear well-founded in fact: in the words of one expert, experienced officers can recognize the people and places of a familiar neighborhood “in such a way that they can recognize at a glance whether what is going on within them is within the range of normalcy.”<sup>12</sup> An experienced officer immediately notices the reputed gang recruiter in the grey truck who hovers near the school, and she knows the taqueria owner who can quietly provide reliable information about nearby drug dealing.

Mark Twain famously warned that “Familiarity breeds contempt — and children.” But I believe familiarity breeds better policing. Without familiarity with a neighborhood, local residents and other stakeholders will not trust officers to share information, and officers will not recognize phenomena out of the “range of normalcy” in the neighborhood’s landscape. To restore relationships between police and the community, we need officers familiar with their communities. We need to extend those 6-month shift durations.

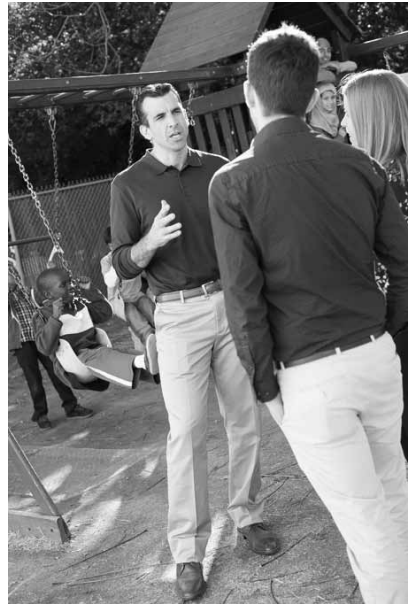
Other measures can help improve police-community interaction as well, and they don’t cost a lot. With severe cuts in mental health



treatment at the state and county level, our officers encounter many more people with mental illness on the street. Ensuring that the police have the proper training — known as “crisis intervention training” or “CIT” — will be critical. Although the SJPD began offering CIT training in the Academy in 2009, only a fraction of more senior officers have taken a CIT course, and it’s currently voluntary. In other cities, like San Francisco, CIT training is mandatory. We need to train every patrol officer to deal with the very unpredictable challenges posed by mental illness, particularly where appropriate interventions can avoid the escalation that can result in violent harm.

We also need to improve communication with non-English speakers in our community. Almost forty percent of San José’s adult residents came here from a foreign country. Our increasingly diverse city remains one where many languages are spoken — and we need officers capable of communicating with our residents, particularly during natural disasters and crises.

In some apartment buildings and whole neighborhoods in my Downtown district, the majority of residents will consist of monolingual Mandarin, Spanish, or Vietnamese speakers. Only a minority of our police force, however, has fluency in a foreign language. This has long been the case; as a criminal prosecutor a decade ago, we faced a critical shortage in the number of investigating officers fluent in Spanish and Vietnamese to communicate with victims and key witnesses. Although prosecutors typically shouldn’t talk with witnesses for evidentiary reasons, our shortage often required me to follow-up (with my then-barely-adequate Spanish) with Spanish-speaking victims and their families.



In recent weeks, the Council has approved a boost in bonuses for bilingual officers, but we can do better. Every incoming officer who lacks a second-language skill should be taking classes in Spanish, Vietnamese, or another critical language — and should be paid for doing so. Victims, witnesses and residents cannot trust someone with whom they cannot communicate, no matter how sincerely the officer seeks to help them.

By improving the relationship in each patrol officer’s encounter with every community member, we can do much to improve policing itself. With that, we can all feel safer.

## **5. “Bowling Together”: Helping Communities Take Back Their Streets By Building Social Capital**

One morning in 2010, a group of Spanish-speaking parents at Washington Elementary School — almost entirely women — invited me to a *cafecito* in the school library. Maria Villalobos, and her husband, Juan, each spoke up, expressing frustration at the looming presence of *pandillas* — gangs — around the school in the afternoons, menacing the children, and instilling fear throughout the neighborhood. Other members of the *madres* joined in, and shared their fears.

Crime has long afflicted the Washington Guadalupe area of my district. I suspect it was so from the time that my grandmother lived there (when it was known as “Goosetown,” populated by Italian immigrants). Yet we suffered dramatic reductions in police ranks, and diminished resources inhibited the City’s ability to respond meaningfully.

I discussed the problem at length with Ruth Cueto, a bright Cal Berkeley grad who serves on our council staff with responsibility for the Washington neighborhood. We reached out to the local police captain, residents, and school Principal Maria Evans, who had long hosted the *madres* in *cafecitos*.

Ultimately, we encouraged the parents to take action on their own: to form a walking group that would accompany children on their

way home from school. The parents agreed, and called themselves “Washington Camina Contigo” (“Washington Walks With You”). While they’d walk, they’d carry a notepad and a cell phone, and they’d identify graffiti, street light outages and other issues that could be reported to City Hall. Ruth worked to organize the parents into walking groups. Maria Evans chipped in for bright vests, whistles and clipboards.

Soon, a dozen parents started a walking routine in the morning, and again in the afternoon after school. Their numbers grew. Parents got to know one another, and communicated with each other. They reported problem behaviors to school officials and the police, and notified Ruth of any physical conditions needing improvement in the streetscape.

Did crime magically disappear from the neighborhood? No. But fear diminished greatly. Parents recognized that by bringing more “eyes on the street,” they could discourage gang members and recruiters from hanging around the school. They recognized the power of numbers — their numbers — and that gang members thrived in environments where people shunned going outside, or talking to one another. Now, a graffiti-tagging 14-year-old wasn’t simply “the problem”; he was the son of a fellow parent who could be approached and admonished. And yes, to most observers, the effort did appear anecdotally to diminish crime and gang activity near the school. With the success of Washington Camino Contigo parents received awards from the City and the County for their successful initiative.<sup>13</sup>

In many neighborhoods, the most important thing that City Hall can do to improve safety lies in convening residents and other stakeholders to work together.

Fine: that sounds “nice.” Yet does a neighborhood working together really do much to reduce crime?

Yes. Residents in highly-engaged communities don’t merely sigh when they see the 14-year-old tagging the wall near the freeway, or taunting another kid in the park; they call his parents. If their neighbors forget to halt newspaper delivery while on vacation, they collect the paper from the driveway to avoid attracting burglars. They call the City when

cars appear to be abandoned on their street, they host block-parties to encourage neighbors to get to know one another and they check in on elderly neighbors during a heat wave in August.

Take a more dramatic example: when a serial arsonist terrorized several Downtown neighborhoods in January of 2014, the community reeled from the succession of 13 fires of homes, churches and businesses over four nights. Working with the police and fire departments, I launched an effort with dozens of committed neighbors to establish “block watches” to provide fire alarms and batteries to local residents and to distribute police sketches of the suspect to over 3,500 homes. Residents provided police with video footage and tips, leading to a multi-day surveillance of the suspect’s home, and his ultimate arrest.

All of these actions make for a safer neighborhood. Most of them don’t cost the City a dime.

Robert Putnam, author of the seminal work, “Bowling Alone,”<sup>14</sup> referred to the phenomenon that exists in engaged communities as “social capital.” Residents in neighborhoods with high levels of social capital become heavily involved in civic, social and religious organizations — characterized by participation in Little League or Rotary, or by regular attendance at the synagogue, PTA meetings or neighborhood association gatherings — in ways that establish strong networks of relationships. Even in very diverse communities, they share fundamental norms of behavior, such as the propriety of scolding another parent’s 14-year-old when unsightly teenage behavior rears its head. They develop bonds of trust.

Studies throughout the world have demonstrated that communities with high levels of social capital see reduced crime.<sup>15</sup> They also see a host of other benefits — greater levels of self-described satisfaction, reduced rates of suicide, higher levels of economic activity and even lower rates of heart disease.<sup>16</sup>

How does San José fare in building social capital? Studies appear mixed. Over a decade ago, a *Mercury News* headline famously called Silicon Valley the “Valley of Non-Joiners,” describing a study reporting

our low levels of volunteerism, participation in social and community organizations and charitable giving relative to other regions nationally. More recently, a 2012 community survey revealed that fewer than a quarter of San José residents volunteered in the prior year and about 12% participate in a club or civic group. Slightly more than half of San José residents reported having talked to or visited with their neighbors a few times a month. Finally, the Knight Foundation's "Soul of the Community" study gave San José high scores for social capital in 2010 and 2011.<sup>17</sup>

Rather than debating which view better approximates the truth, we'd better spend our time exploring ways that we can build social capital that makes our communities safer.

How can City Hall help build greater social capital in San José?

### **START BY GETTING OUT OF THE WAY: REDUCE FEES FOR NEIGHBORHOOD GROUPS**

Neighborhood groups, nonprofit community associations and civic clubs of all types would love to use San José parks and community centers, and other facilities to convene people. These grassroots gatherings are the lifeblood of our community, bringing diverse people together socially, enabling them to meet one another, to build trust and relationships critical to tackling the challenges in their own communities.

Typically, we charge hundreds and even thousands of dollars for the use of these facilities, at rates that are frequently prohibitively high for organizations that serve working-class families. On the other hand, the revenues we generate from park and facility rental are relatively low; at a typical community center, the City generates no more than a few hundred dollars from local neighborhood associations.

Simply, we should reduce fees for park or community center use by designated neighborhood associations and community-serving nonprofits to something minimal, such as \$50. Any foregone revenue will be very small, particularly when we consider the extensive investments that the city already makes through grants and programs for

ostensible “community-building.” By getting out of the way of organic, neighborhood-led community building, we’ll do far more to support our communities.

## **PARTICIPATORY BUDGETING**

We can encourage people to engage with each other in their communities more meaningfully and help shape the decisions that will affect them directly. In the Spring of 2013, I proposed a “Participatory Budgeting” pilot project in San José to encourage people to come together to identify the ‘wins’ in their neighborhoods that can be achieved with a small amount of public dollars. By generating a dialogue within each council district, neighborhood leaders and other members of the public would best allocate that small budget, and we can more effectively leverage the volunteer energies of a dedicated group of residents willing to, say, plant and maintain new vegetation on a blighted street median, install new playground equipment purchased by the City for their local park or paint a mural near a graffiti-plagued freeway off-ramp. By incentivizing a community to come together to identify those priorities and work together on them, a small amount of dollars can go a very long way.

## **ON-LINE TOOLS**

Nextdoor has developed an on-line platform for neighborhood residents to communicate with one another exclusively (explore for yourself at [www.nextdoor.com](http://www.nextdoor.com)). Many San José neighborhoods have taken advantage of this tool to, for example, ask for help with a lost dog, warn their neighbors of recent bike thefts or burglaries or even to band together to purchase cameras to monitor problem streets. The city has only begun to develop means to take advantage of this resource, with some occasional announcements from the police or the Office of Emergency Services, but we can do much more. We can disseminate the latest information on arrests and crimes in that neighborhood. We can solicit residents to come forward with information about particular crimes or vehicle accidents they may have witnessed. By having City Hall participate more directly in on-line tools such as Nextdoor, we

can encourage greater participation from the entire community, and ensure that meaningful engagement meaningfully reduces crime.

## 6. Regionalize Crime-Fighting

Criminals don't respect much, and they certainly don't respect municipal boundaries. Thieves steal cars in Palo Alto, take them to chop shops in Fremont, and fence them in San José. Whose police force should investigate the crimes? For years, cities in Santa Clara County have relied upon a regional auto theft task force to deal with the multi-jurisdictional nature of auto theft.

Similarly, we frequently see crimes like burglaries committed by small groups of persistent criminals. Expanding regional task forces to include burglary investigations provides a win-win; San José lacks the manpower to devote to a sizeable investigation team for property crimes, and neighboring cities like Campbell recognize that the largest percentage of burglary culprits hail from San José.

Prostitution has become another sore spot for many residents living near Monterrey Road, North 1st Street, or even the Alameda, and we've seen a large influx of prostitutes and pimps from the Central Valley and East Bay. Taking a regional approach could do much to ensure that we're quickly arresting pimps on probation in other counties, sharing information and sending them back to their home county jails.

None of us want to hear that we need to ask for help — but we do. In the Downtown, we started meetings in 2012 with multiple agencies to address the crime problem there, and several partners have stepped forward in response. I reached out to then-VTA General Manager Michael Burns to increase the VTA's budget for deployment of additional sheriffs' deputies to patrol the transit mall, and to use federal grant funds for deployment of video cameras in that area. District Attorney Jeff Rosen restored the community prosecution office, which targeted owners unwilling to curb drug, gang and prostitution activity on their properties Downtown. The San José Downtown Association elicited funding from its member property

owners to pay for additional police security. We'll need all these efforts and more — particularly from our community partners in education, gang prevention and domestic violence — to make real progress.

## **7. Gambling, Booze and Weed: Common-Sense Approaches to Businesses That Impact our Quality of Life**

Many residents throughout central San José and the East Side know well that some businesses — such as liquor stores, card clubs, bail bonds dealers, strip clubs and marijuana dispensaries — can have uniquely negative impacts on surrounding neighborhoods. Many of these establishments are well-managed, law-abiding, and owned by upstanding local businesspeople. Their good intentions don't change the substantial impacts of their business' operations, however, and those effects are felt most acutely in neighborhoods that struggle the most with crime.

During a time when our police force appears so thinly staffed, we could go a long way to support their crime-fighting efforts by standing up to industries that have criminogenic impacts on our community. These businesses typically have owners with significant political sway, often through contributions to campaigns, and through independent expenditures to political parties and political action committees. In a time with highly constrained police resources, San José needs independent leadership capable of standing up to well-financed businesses like these, and applying common-sense regulations to their operations.

Those regulatory tools will differ in each case. When motels frequented by a high volume of prostitution on South First Street seemed to do little to address the impacts of the johns and pimps on nearby residents and businesses, I urged our City Attorney to get involved. We took on the motels that profited from prostitution, threatening nuisance suits against those that continued to take cash for short-term room rentals. We shut down one operator, the Hotel Elan, with a nuisance suit.<sup>18</sup> (In



a nod to community engagement, the nearby Washington Guadalupe community joined in, staging protests in front of several motels, shaming “guests” and management.) We can expand nuisance suits like these with the help of a willing District Attorney, who has already taken steps to beef up its community prosecutions unit for such purposes.

In other instances, a sensible approach to regulation calls for a more nuanced approach. When I ran for my council seat in District Three, I heard endless complaints about drinking, drug dealing, loitering and underage activity near various corner grocery stores. In truth, many of those “grocery” stores amount to little more than liquor stores that also sell junk food and cigarettes. I pushed against the issuance of new liquor permits for small markets in oversaturated neighborhoods. We worked with owners to convert two of the shops into more neighborhood-friendly uses: a child-care facility, and a gym. The Health Trust’s recent launch of its “Healthy Corner Store” initiative provides incentives for owners to make a transition to sell more fresh food and less booze, and we should support that initiative by getting the word out whenever we interact with the owners of such stores.

The City can go a step farther, offering to liberally “up-zone” liquor store sites, to incentivize property owners to redevelop the properties for better retail and residential uses, and to waive fees for doing so. Turning a liquor store into a three-story apartment building over a bagel shop or café can benefit both the surrounding neighborhood and the property owners.

Motels and liquor stores provide just two examples of lawful, legitimate businesses that can have negative criminogenic impacts in a neighborhood. Two other businesses seem to get the lion’s share of media attention, however: card clubs and marijuana dispensaries.

## **CARD CLUBS**

Gambling has had a long history in San José, and we’re only a generation removed from the day when criminal indictments against local card club owners made the headlines. Fortunately, San José today has much more reputable ownership of the two card clubs within

our city limits — Casino M8trix and Bay 101 — and the worst of those problems appear well-contained by better-managed operations and police supervision.

Challenges arise from the broader impacts of gaming activity in the community, often far removed geographically from the clubs themselves. Several studies point to the increase in crimes – such as burglary, loan-sharking, robbery, child neglect and even domestic violence — resulting from the introduction or growth of casino gaming in a community.<sup>19</sup> Earlier this year, the *Mercury News* reported a stabbing in the Casino M8trix parking lot, for example. Although gambling aficionados can always avail themselves of internet gaming, something uniquely impactful emerges from the brick-and-mortar presence of a card club in a city.

Card clubs have made two efforts to lift the limits of the San José charter to expand gaming operations with ballot measures in the last half-decade; one succeeded in 2010, and the other, in 2012, failed. I opposed both ballot measures, for a simple reason: our police have enough to worry about already with clubs at their existing size. In the 2012 campaign, after one club spent hundreds of thousands of dollars to weaken casino size restrictions and police oversight, I wrote the opposing argument on the ballot and rallied other prominent community leaders to sign on.<sup>20</sup> Fortunately, San José voters agreed with us. Yes, even in politics, good sense can prevail over money and influence.

In January of 2014, Casino M8trix persuaded my Council colleagues to change the ordinance to water down the city’s oversight of the clubs. For example, M8trix sought to have state regulators replace city officials in performing criminal background checks on card club employees. I vocally opposed this effort.<sup>21</sup> San José’s other card club, Bay 101, expressed no concerns with SJPD’s employee screening processes, likely because the process wasn’t broken: the City has issued work permits to over 1,100 casino employees within 20 days of their application. Remarkably, even though the State of California publicly admitted that it lacked any resources to screen casino employees —

virtually assuring a lack of any meaningful background checks — the Council approved this change.

San José's next mayor must take a clear stance against allowing further growth in this industry, and against the weakening of sensible regulations over casino operations. The clubs make ample revenues at their current size, and our thinly-staffed police don't need to be any more occupied with calls than they already are.

## **MARIJUANA DISPENSARIES**

The Council has repeatedly tried to tackle marijuana regulation against the well-financed legal and political challenges of the marijuana cultivation industry. To be sure, well-managed dispensaries provide a drug of which genuinely ill patients properly avail themselves, as contemplated by the voter-approved Compassionate Use Act. Many poorly run dispensaries, however, have drawn their share of disgust from nearby residents and businesses. Their associated ills — repeated burglaries and robberies of cash-heavy dispensaries, secondary drug dealing in adjacent parking lots, and loitering and usage of the drug near schools, parks, and other locations frequented by children — prompt many angry calls and emails to City Hall.

As Council deliberates over marijuana regulation in the coming weeks, and in the years ahead, we cannot allow dispensaries to again populate residential areas, business districts and near locations like schools and day-care centers. Cities throughout the U.S. also need to advocate at the federal level for changes in the Controlled Substance Act that will enable the drug to be dispensed by medical professionals in pharmacies, and regulated by the FDA. The alternative is too palpably apparent: fly-by-night dispensaries that cause as many headaches for neighborhoods as they purport to solve for patients.



## 8. Reducing Crime By Improving the Streetscape

We can also employ familiar tools to affect the physical environment to address high-crime hotspots. Installing speakers to play classical or soft music has been shown to scatter drug dealers and loiterers from “problem corners” and lots.<sup>22</sup> Our use of cameras at Fountain Alley and along the transit malls in Downtown San José has reduced drug dealing, though we continue to focus police presence there.

The tools with the greatest impact on a physical environment, however, are eyeballs. Creating settings where people will want to walk, eat, or otherwise linger outside, “bringing eyes to the street,” can have a profound effect on the sense of safety, and on actual crime. Drug dealers and thugs prefer to engage in their activities discretely. For that reason, I’ve pushed to reduce fees and streamline the process to enable restaurants to obtain sidewalk permits, to bring patrons outside to enjoy San José’s 300 days of sunshine a year. Where sidewalks did not appear wide enough to accommodate outdoor dining, I worked with the San José Downtown Association to push for a “curb café” initiative, to take up parking spaces in front of restaurants to accommodate platform decks and tables. In early 2013, I launched an initiative to fill vacant storefronts by waiving city permit fees in long-empty parcels,

and providing tools like free Wi-Fi boosters to the start-up businesses that turn on the lights. These efforts, though launched Downtown, are available to businesses citywide. I will discuss them in greater detail in another chapter, focusing on creating vibrant public spaces throughout San José.

We also know that lighting in a neighborhood can have a big impact on safety. The rash of stolen copper wire has left streetlights in many of our neighborhoods out for months. The backlog of expensive repairs continues to build as the City's depleted electrician crew remains unable to catch up.

Rather than spending millions of dollars on repairs to replace wiring for the same inadequate yellow sulfur lights, I'm pushing an initiative to replace the lights altogether with brighter, energy-efficient LED white lights at no cost to our taxpayers. How? By partnering with the private sector. Companies like Philips have sought to pilot their "smart light pole" technologies in locations where it can also expand wireless capacity with cell base stations planted on each pole. Philips generates revenue from telecom service providers that pay rents for the usage of the cells by their customers, while our residents benefit both from the rapid upgrade in lighting and in cell phone coverage — particularly for data. The poles' wireless capability also instantly informs City maintenance officials when the longer-lasting LED bulbs need replacement, and can be dimmed remotely to save energy. I introduced this effort in November of 2013 with Councilmember Rose Herrera, and am currently pushing to get it implemented. It will be a top priority of mine as Mayor.

Installing better lighting in our neighborhoods at no cost to taxpayers seems compelling enough, but best of all, it can have substantial benefits in providing a safer streetscape for our residents.

One can supplement these examples with dozens of others that illustrate how a City Hall with an eye on safety can improve the built environment to make us safer. In a world of very limited resources for our police department but ample new development, improving our streetscapes provide a promising path for a safer San José.

## 9. The Hidden Crime: Battling Domestic Violence

The wounds of domestic violence run deep in any community. Those wounds run wide, too: our County's residents made 23,747 hotline calls to domestic violence agencies in 2012, most of them in San José. That year alone, we lost the lives of 9 victims to domestic violence.

Experts tell me that the most lethal period in the cycle of domestic violence occurs when the abused partner makes her first attempt to leave the batterer and to report the abuse to the police. Access to victim services, transitional housing, and better coordination between police and service providers can have the most impact at that moment: in providing a flight to safety for a victim and her children.

We can do better. First, a domestic violence drop-in center should provide victims and children a safe, welcoming environment, enabling them to readily seek and find assistance, but the current center falls short in each respect. One social service provider told me that her clients can't even find the office. District Attorney Jeff Rosen has launched an effort to create a new Family Violence center, modeled on Alameda's promising Family Justice Center — a one-stop location for victims to seek help from medical, law enforcement, legal and social service professionals. As Mayor, I'll be pushing to ensure City resources are committed to fully supporting a successful launch.

Second, for the critical moment when victims and their families need transitional housing, we appear severely underprepared: in 2012, 2,504 victims could not find room at any domestic violence shelter when they needed it. Although community organizations like Next Door Solutions admirably provide services in the face of diminishing governmental support, our underfunded local providers housed only 755 women and children that same year.

Providing safe transitional housing could greatly reduce victim deaths, and more: it could release thousands of children from captivity in an abusive household where the non-abusing partner lacks the resources to escape.

Of course, our own public resource constraints stand in the way; federal housing funds have been slashed, the Redevelopment Agency (long our largest source of affordable housing funds) has been eliminated, and state bond funds exhausted. We need to think differently about how we find and build affordable housing in this challenging fiscal environment. In 2012, I proposed that the city study the conversion and renovation of several run-down motels — often the hotbeds of prostitution activity along North First Street, Monterrey Road, and The Alameda — for affordable housing. The City’s Housing Department studied the issue and determined that it offers a promising means to create housing at about half the cost of building housing traditionally. As Mayor, I’ll push forward with these and other initiatives to identify means to build more housing units for victims.

Finally, we can better coordinate our law enforcement responses with domestic violence social service providers. As with officers in the gang unit, SJPD’s Family Violence unit requires officers to possess highly specialized training, and to develop sensitivity to the intensely emotional and explosive realities of violence within the home. Learning curves are steep. Understanding what to do, for example, when dealing with a recanting victim — a very common phenomenon in victimization — requires an experienced detective, and our relatively brief shift rotations do not allow our residents to fully benefit from the expertise officers develop over their tenure. Officers in all other units, from patrol to gangs, would also benefit from more than the standard two hours of annual training. One service provider complained that patrol officers often aren’t aware of their services when coming into contact with a reporting victim, thereby missing opportunities to encourage the victim to find a path to safety. We can better incorporate service providers, criminal prosecutors and judges in officer training, as each have valuable information and perspectives to offer.

It remains the case, however, that our SJPD officers do an exceptional job of responding to domestic violence in a context of severely reduced resources. As one prosecutor put it, the Family Violence unit “participates in the Domestic Violence Council, has a specialized investigative team to address the problem, responds swiftly to calls,

serves emergency restraining orders and works under the most dangerous conditions to combat domestic abuse.” For good work being performed by dedicated officers, we are all grateful.

## **10. Improving Emergency Medical Response and Improving Safety for Our Seniors**

As we all know, our fast-growing elderly population faces a unique set of safety challenges. In addition to the predatory crime that threatens each of us, our vulnerability to all forms of threat increases as we age, and we need a city government responsive to those growing needs. That includes a focus on improving emergency medical response, preventing elder abuse and promoting pedestrian safety. I’ll focus on pedestrian safety in a subsequent chapter of this book; in the meantime, our attention turns to emergency medical response.

### **BETTER MEDICAL RESPONSE REQUIRES THINKING — AND DEPLOYING — DIFFERENTLY**

Timely emergency medical response constitutes a grave concern to all of us, but particularly for seniors who comprise a rapidly-growing source of demand for medical services. As our elderly population climbs rapidly — far faster than the growth in any other age cohort — our needs for basic medical response for heart attacks, strokes and falls will follow. We’ve already seen San José Fire Department (SJFD) medical call volume accelerate from 37,000 calls in 1995 to 52,000 today, largely due to the aging of our population. Preparing for the “Silver Tsunami” ahead requires acute attention to medical response.

Predictably, SJFD has struggled mightily to maintain emergency response times in the face of budgetary cuts and constraints in recent years. A drop in firefighter staffing has undermined our ability to maintain traditional standards for response times — that is, arriving at the scene of a medical emergency within 8 minutes 90 percent of the time or less. Recently, some County officials have made much of San José’s inadequate performance, threatening to cut \$2.1 million in



funding for the Department — as if laying off more firefighters will improve the situation for our residents.<sup>23</sup>

Rather than reverting to finger-pointing and cutting resources to our most critical life-savings services, we should work together to improve emergency medical response.

We can do better. As Mayor, I will push forward with significant changes to our current approach: the increased use of more nimble two-person “squad cars” and other changes to our rigid minimum staffing requirements to respond to lower priority medical calls, and better engagement with the County in ensuring that the County’s private ambulance contractor can meet the needs of our residents.

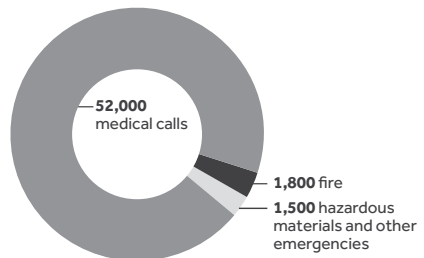
### **SQUAD CARS AND MINIMUM STAFFING**

First, squad cars can help us respond much more nimbly to medical emergencies. Currently, medical emergencies comprise more than 90% of the calls to which our Fire Department responds — a percentage that has rapidly risen in recent years. Like most urban fire departments, as the number of fires and fire fatalities has plunged in recent decades with dissemination of smoke detectors, building code changes and other safety improvements, the needs of our community have changed.

About 52,000 times per year, our Fire Department is a medical emergency response agency. It just also happens to be an agency that responds to fires (1,800 calls), hazardous materials calls and other emergencies (1,500). Yet our Department is staffed, built and operated to respond to fires. We have large, bulky and costly fire trucks and engines that respond to roughly 85% of our medical calls.

Yet if anyone conceived of a plan to create an agency to respond quickly to a 911 calls for complaints of heart pain, nobody would suggest we use engines and trucks bearing four

**Types of calls responded to by San José Fire Department**



or five firefighters. We'd use SUVs or vans, carrying a paramedic and an emergency medical technician to respond quickly to the scene, and have additional personnel arrive as needed. Unfortunately, changing old habits is hard, particularly when fire union contracts contain strict "minimum staffing" requirements that force deployments of larger vehicles and more personnel than is necessary.

For many years, we've known this. City auditor reports from October of 2001 advised the City to use 2-person SUVs for lower priority medical calls. Yet fire chiefs in San José — notably former Chief Darryl Von Raesfeld, who fought admirably for changes — have found their ability to adopt more nimble deployment strategies handcuffed by minimum staffing requirements in union contracts.

Fortunately, common sense is starting to prevail. With the voters' approval of Measure V in 2010, the fire union lost substantial leverage in dictating staffing and operational decisions of the fire chiefs. To their credit, fire union officials also started to change their thinking, and a breakthrough emerged: then-Chief Willie McDonald and union leaders agreed to try to "pilot" squad cars at strategically-located fire stations in May of 2012 to improve medical response in some areas. By deploying five 2-person vehicles for these calls, the Department can cover more ground more quickly (and at a far lower cost in fuel consumption, vehicle purchase and maintenance). In some cases, the squad cars enable Fire Department paramedics to stabilize the patient until additional personnel can respond; in other cases, they quickly determine that the medical issue appears less serious and call off the sirens.

The problem with the "squad car" pilot has been its implementation. Because the five squad cars are required to respond nearly citywide—rather than within the geographic range of a typical engine or truck—these units cannot reasonably and reliably respond to those calls. As a result, their response times are predictably worse than a typical four-firefighter engine, which responds to a much smaller geographic area. Squad cars have been shown to work in cities such as Phoenix or Portland, but their effectiveness likely hinges on either restricting the geographic range of deployment, or deploying enough squad cars to

improve coverage citywide.<sup>24</sup> Either option appears more effective than the current approach.

Our next mayor must have the resolve to continue pushing forward to expand the program. Currently, squad cars address less than 10,000 of the annual 52,000 medical calls. Broader deployment would improve our response.

Of course, minimum staffing requirements impair more than just medical response. For example, most of our surrounding cities routinely deploy three-firefighter engine companies. In a City with substantial staffing shortfalls, this obviously impairs our ability to nimbly respond to emergencies. We can do better.

## **THE REDUNDANCY OF COUNTY AMBULANCE SERVICE**

For reasons that virtually nobody can explain succinctly, the County contracts with a private company, Rural Metro, to provide ambulance transport service, but the County does not take the responsibility for “first response.” That is, the Rural Metro ambulances are *not* the first responder to a medical emergency. The San José Fire Department is.

Even if we could give Rural Metro the responsibility for providing “first responder” service, it’s far from obvious that we’d want them to do so. The company deploys only seven or eight ambulances at any one time for all of San José, and lacks the capacity to take on a greater role. As a company, Rural Metro also suffers from very serious challenges. Since County Supervisors Dave Cortese and George Shirakawa successfully (but controversially) pushed to award Rural Metro with an over-\$300 million County contract several years ago, the company has been beset with federal criminal investigations in several cities, contract termination in others and allegations of substandard service in still more.

So we depend on the Fire Department for first response. That is, Fire personnel arrive at the scene several minutes before Rural Metro arrives, and SJFD paramedics and firefighters stabilize the patient until the ambulance arrives. The ambulance transports the patient to the hospital, and Rural Metro — and the County — collect substantial

transport fees as a result. Taxpayers, of course, also pay the County for this service, since many patients are uninsured.

So this puzzling scenario persists: two or more vehicles arrive at every medical scene for a single patient. Both organizations — Rural Metro and the Fire Department — appear to be challenged at getting to patients in a timely manner. Yet both services use taxpayer money to inefficiently get there.

It's enough to make any taxpayer cringe. With a sufficient deployment of more squad cars or ambulances, the Fire Department could provide both first response and transport with a single vehicle. By collecting the transport fees that Rural Metro previously enjoyed, the Fire Department could take on these additional duties and avoid diverting any dollars from General Fund. County taxpayers — all of us — would save millions of dollars. Some of those savings could be reinvested to expand our fleet to improve response time for the same emergency medical services.

It just requires getting the City and County to work together, and to work toward common-sense solutions. It also requires leadership that's independent enough to resist the influences of a powerful contractor like Rural Metro, which contributes thousands of dollars to campaigns and supervisors' pet projects.

## **ELDER ABUSE AND ISOLATION**

Studies of elder abuse demonstrate that financial exploitation and physical abuse of seniors typically begins when a caretaker, such as a conservator, isolates the victim from her family and friends. By denying visitation privileges from loved ones, predatory individuals can more effectively inflict physical harm, engage in financial fraud or otherwise inflict harm without detection. Recent modifications in state law clarify the rights of seniors who have conservators to require access to loved ones and to prohibit isolation.

Nonetheless, changes to the police duty manual haven't yet caught up to the law, and we are not responding to complaints of family members who are denied access to their parents. Working with the

District Attorney’s Office, we can improve protocols to respond to those complaints — if not with police officers, then with community service officers who can take reports and gather evidence. Becoming engaged when those first signs of exploitation emerge can do much to save our elders from subsequent abuse and victimization.

1. Memorandum from Councilmember Sam Liccardo to City of San Jose Rules Committee. “Police Academy Costs.” October 29, 2013.

2. See, e.g., Ed Maguire (2000), as cited in Mike DeBonis, “How Many Police Officers Does D.C. Need?”, *Washington Post*, 2011 (citing Maguire survey of 27 criminological studies, concluding that “half the studies found no relationship between” crime rates and police staffing, and “of the remainder, more found that crime *increased* as police levels rose.”); Cameron, S. (1988). The economics of crime deterrence: A survey of theory and evidence. *Kyklos* 41:301-323. Blumstein, A., Nagin, D., and Cohen, J. (1978). Deterrence and Incapacitation: Estimating the Effects of Criminal Sanctions on Crime Rates, National Academy of Sciences, Washington DC.

3. San José’s violent crime rate was *much higher in the 1980s through the mid-1990s*. Here are statistics that the FBI keeps on San José’s rate of violent crime, as reported by SJPD, with crime rates expressed per 100,000 in population (a typical measure used to compare cities of varying sizes):

Year	Pop.	Violent Crime Rate	Homicide Rate	Forcible Rape Rate	Robbery Rate	Aggravated Assault Rate
1985	706,062	491.5	7.8	58.8	175.2	249.7
1986	722,560	556.4	5.4	59.5	155.8	335.6
1987	730,079	599.7	3.3	53.8	129.3	413.2
1988	732,022	640.6	5.1	59.8	129.5	446.2
1989	757,964	598.3	5.0	52.6	131.3	409.4
1990	782,248	600.6	4.5	53.2	132.2	410.7
1991	798,542	658.5	6.6	55.7	166.3	429.8
1992	811,342	668.9	5.3	55.2	151.7	456.7
1993	809,528	656.8	5.1	48.3	146.5	456.9
1994	815,235	725.6	4.0	46.0	136.0	539.5
1995	822,845	808.1	4.6	47.0	146.9	609.5
1996	830,374	731.6	4.8	41.1	132.2	553.5
1997	840,529	736.6	5.1	44.6	108.0	578.8
1998	860,211	599.3	3.4	41.5	104.7	449.7
1999	875,840	580.9	2.9	39.6	82.9	455.6
2000	894,943	550.6	2.1	37.7	75.6	435.2
2001	913,513	609.1	2.4	36.0	77.9	492.7
2002	927,821	445.6	2.8	40.8	89.1	312.8
2003	909,890	371.3	3.2	30.7	89.6	247.8
2004	908,712	371.8	2.6	28.2	86.4	254.6
2005	910,528	383.5	2.9	28.9	97.1	254.7
2006	920,548	386.8	3.2	23.6	111.9	248.2
2007	934,553	402.2	3.5	23.2	114.3	261.2
2008	945,197	385.4	3.3	23.3	118.9	239.9
2009	954,009	360.5	2.9	27.0	107.4	223.1
2010	945,942	339.9	2.1	26.7	103.2	207.8
2011	957,062	335.0	4.1	23.6	115.0	192.3
2012	976,459	363.3	4.6	28.7	123.7	206.3

4. Chris Roberts, “San Francisco sees highest crime rate since 2008,” *San Francisco Examiner*, November 29, 2013. <http://www.sfexaminer.com/sanfrancisco/sf-sees-highest-crime-rate-since-2008/Content?oid=2636673>

5. Anthony Braga, Andrew Papcrhistos, David Hreau, “The Effects of Hot-Spot Policing on Crime,” July 7, 2011. <http://www.campbellcollaboration.org/lib/download/118/> (finding that in 19 of 24 criminological studies, experts found a substantial impact of hot-spot policing on crime reduction)

6. Memorandum from Councilmember Sam Liccardo to City of San Jose Rules Committee. “See below.”

January 31, 2012.

7. Philadelphia Police Department (2011), *Philadelphia Police SafeCam*. <http://safecam.phillypolice.com>
8. Town of Los Gatos (2014). Los Gatos On Watch Program. <http://ca-losgatos.civicplus.com/forms.aspx?FID=122>
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10. Kelling, G.L. and Wilson, J.Q. "Broken Windows." *The Atlantic*, March 1, 1982.
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14. Putnam, Robert D. 2000. *Bowling Alone: The Collapse and Revival of American Community*. New York: Simon & Schuster.
15. See, e.g., Paolo Buonanno, Daniel Montolio, and Paolo Vanin, "Does Social Capital Reduce Crime?" *Journal of Law and Economics*, 52:145 (February 2009)(analyzing data in Italian cities) [http://www2.dse.unibo.it/vanin/BMV09JLE\\_published.pdf](http://www2.dse.unibo.it/vanin/BMV09JLE_published.pdf); Galea, Sandro, Adam Karpati, and Bruce Kennedy. 2002. "Social Capital and Violence in the United States, 1974–1993." *Social Science and Medicine* 55:1373–83; Rosenfeld, Richard, Steven F. Messner, and Eric P. Baumer. 2001. "Social Capital and Homicide." *Social Forces* 80:283–309; I. Semih Akcomak, Baster Weel, "The Impact of Social Capital on Crime: Evidence from the Netherlands," July 2008 IZA DP No. 3603, Institute for the Study of Labor. <http://ftp.iza.org/dp3603.pdf>
16. A famous example lies in the "Roseto Effect," as described in Malcolm Gladwell's *Outliers*. The people of Roseto, Pennsylvania ate fattening foods, drank, smoked, and didn't exercise enough — yet never suffered from heart disease, to the amazement of the medical community. They lived in a town with an exceedingly high level of social connection, however. [http://www.nytimes.com/2008/11/30/books/chapters/chapter-outliers.html?pagewanted=all&\\_r=0](http://www.nytimes.com/2008/11/30/books/chapters/chapter-outliers.html?pagewanted=all&_r=0)
17. Knight Foundation (2010). "Knight Soul of the Community 2010, San Jose, California — Why People Love Where They Live and Why It Matters: A Local Perspective." <http://www.soulofthecommunity.org/sites/default/files/SANJOSE.pdf>
18. KTVU (July 26, 2012). "San Jose officials take aim at hotel allegedly harboring prostitutes."
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20. City of San Jose (2012). "Argument Against Measure E." San Jose City Ballot Measure E – Cardroom Gambling (November 6, 2012 election).
21. Memorandum from Councilmember Sam Liccardo to Mayor Chuck Reed and San Jose City Council. "Gaming Control." January 28, 2014.
22. Rose, E. "Three Creative, Inexpensive & PROVEN Ways To Lower Crime In Detroit." *PositiveDetroit*, August 21, 2012.
23. It does not come without irony some of those same County officials doing the finger-pointing were former councilmembers happily granting unsustainable retirement benefits to the powerful firefighters union, while driving per-firefighter costs to unsustainable levels that compelled staffing reductions in 2009 and 2010.
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# CHAPTER 2:

## Spending Smarter: Restoring Safety and Services on a Budget

### Introduction

**BIG-CITY MAYORS** have the latitude to do a great many things that spur innovation and change, but the power to print money will never be one of them. Only the federal government can (and does) run chronic budgetary deficits. But then it “manufactures” money by selling bonds to cover trillion-dollar debts.

Cities, on the other hand, must balance their budgets each year. And that means mayors of cash-strapped cities large and small need the wisdom to know what services they can reasonably deliver while curbing or eliminating debt. What many politicians pitch as “bold visions” generally amount to “wish lists” without the money to actually accomplish anything. Smart leadership demands a vision we can afford, not promises that end up collecting dust.

I’ve long championed pension reform and fiscal responsibility. Two years before Measure B ever reached the ballot, I wrote an op-ed in the *Mercury News* arguing for pension reform. Fortunately, in 2012, the voters overwhelmingly approved Measure B, now saving taxpayers \$25 million annually, while the remainder of the measure faces ongoing litigation.

But even if our retirement reforms were to survive judicial scrutiny, our fiscal problems would hardly disappear. San José would still

face billions in unfunded liabilities in retiree benefits, even with solid economic growth. Our streets and our municipal buildings would still need hundreds of millions of dollars in maintenance and repair, more than \$800 million to be exact. Even the most responsible approach to addressing these debts will require decades of fiscal discipline. And complicating matters could be a host of other potential burdens, including a major civil judgment against the City, a statewide downgrade of municipal bonds, or another recession. We face tough choices ahead.

Budgetary “quick fixes” don’t exist in the real world. People often reach for such ideas in times of uncertainty, and as this election will demonstrate, politicians exploit this wishful thinking by offering their fiscal panacea *du jour*.

But I believe there’s a more honest approach, one that recognizes that we collectively face huge burdens. Rather than attempting to offer a “quick fix,” I’ve laid out five principles, which will guide my budgetary decision-making as San José’s next mayor. While these rules should help steer us through difficult times, we must assume the City of San José will still not have enough money to provide the level of services we’d all prefer.

Simply, we have to be more resourceful, more cost-effective and more innovative.

## Find Partners — and Get Out of the Way

### FROM NAPSTER TO COYOTE CREEK ENCAMPMENTS

One afternoon in 2009 Eileen Richardson walked into my office and sat down. Her casual attire belied her impressive private-sector resume; Eileen once served as CEO of Napster during its storied journey through the venture capital and tech industries. Eileen didn’t come to my office to discuss the latest smartphone gadgetry, however. I asked her to come to City Hall because I’d seen a story about her homeless clients in a Palo Alto weekly newspaper.



Several years ago, Eileen started a non-profit organization, Downtown Streets Team, that employed homeless people in Palo Alto's shelters to clean and maintain streets and buildings. In exchange, the Streets Team members would earn vouchers for housing and food, beginning a path toward self-sufficiency. As Eileen peered out of my 18th story office window, I recall feeling a sense of awe about this remarkable human being as she left the lucrative world of tech and venture capital for an alternative that was, in many ways, even riskier and more laden with obstacles to success. The opportunity to meet extraordinary people like Eileen makes my job immensely rewarding.



I'd asked Eileen to meet because San José faces a palpable catastrophe in its creeks, which have hundreds of people living in them. With the onslaught of the Great Recession in 2008, the numbers of homeless encampments along the shores of Coyote Creek and the Guadalupe River mushroomed, and entire villages of hundreds of homeless residents sprung up in locations bearing names like “The Jungle.” Beyond the obvious human toll of homelessness, the encampments leave a massive environmental impact in their wake, with human and biological waste, needles, non-biodegradable plastics and other substances polluting the water — which eventually feeds the San Francisco Bay — while exacerbating the erosion of riverbanks and creek beds. Traditional approaches to dealing with homeless encampments have failed to gain traction. Some of my colleagues argued that we simply direct police officers to go into the creek beds and arrest all of the campers for trespassing. Of course, that assumed that we have enough police officers to engage in an endless “whack-a-mole” strategy with the homeless; after all, homeless individuals could easily return after their day in jail. I also know well the pitfalls of a lock-

em-up strategy: it costs taxpayers at least \$45,000 per year to house a single inmate in County jail, but permanent housing in a single-room-occupancy apartment unit costs about \$21,000. Moreover, the prospect of facing jail time with three squares and a cot is hardly a deterrent to an individual living in the elements. We'd spend as much as \$80,000 on a single large creek encampment sweep, incorporating police officers, Housing Department outreach workers and laborers with large construction equipment to destroy self-made housing in the creeks. Three days later, the homeless would return. The City of San José would be Sisyphus, rolling the mythical rock to the peak of the mountain, only to see it roll back down the hill.

Eileen and I talked for about an hour in my office that day. I asked her if she could launch her remarkable “work-first” model in the creeks of San José. She asked me if the City had any money. I said, “No.” Eileen said: “Yeah, we’ll do it.”

So our adventure began. Our creative city staff identified grant funding from the EPA to clean polluted creeks. Leveraging additional assistance from the Santa Clara Valley Water District — which had funded creek cleanups anyway — and a private grant from the EBay Foundation, we launched. Much of the City’s effort focused on getting bureaucracy out of the way. If EPA grant guidelines restricted their funding from being used to provide housing, we’d find a legal way to use the same money to fund cleanup work.

A year and a half later, Downtown Streets Team moved over fifty homeless creek-dwellers into permanent housing. Dozens more had begun working full-time, staying in transitional housing, beginning their journey to self-sufficiency. A star was born; DST has now spread to a half-dozen cities in the Bay Area, and many more are welcoming them in.

To be sure, much, much more work remains to address the enormity of San José’s homelessness problem and reclaim our polluted creeks, still dotted with encampments. Although the official tally puts the number around 8,000, unofficial sources estimate that our County may have as many as 12,000 homeless people. Much need has gone unfilled, and much work remains.

Yet we also see the promise of this untraditional model. If we can expand this approach and incorporate more partners, we can take on more of the problem. A company or affluent neighborhood, frustrated with homeless encampments nearby, could pay a fee to DST to come into their community to work with those homeless. A corporate sponsor of a “San José Gateway” could pay a fee for advertising on a city sign at freeway off-ramp, and pay DST crews to keep the entrance clean of debris, and perhaps beautified with flowers or murals. With fees paid by any of these sources, DST could expand its scale, and its reach.

Even when tough times deplete municipal budgets, they don’t undermine creative ideas. A first step to dealing with budgetary shortfalls is to find ways to do things differently. Sometimes, that means finding different people to do those things.

## **SAVING SANTA AND SEDUCING SILICON VALLEY**

The Downtown’s winter holiday events — Christmas in the Park, Downtown Ice (the ice rink beneath the palms filled with children each December) and Winter Wonderland — attract over a half-million children and parents to San José’s downtown every year. Beyond providing an opportunity for community gathering, the events also fill Downtown cafés, restaurants, shops and movie theaters during an otherwise difficult time for those merchants.



When the City had to cut its quarter-million dollar subsidy to Christmas in the Park in 2010, many foresaw its demise. Hundreds of volunteers worked tirelessly every year to put on the festival, but until the organization hired a full-time executive director in 2012, it lacked the

capacity to fundraise to fill the hole that the City's pullout had left it in.

I rolled up my sleeves with Silicon Valley Leadership Group CEO Carl Guardino. We asked Mayor Reed to co-host a fundraiser, invited donors, hit the phones for three months and raised over \$180,000 in sponsorships that year, to keep the events rolling.

While we all patted ourselves on the back, Carl and I knew that it wasn't sustainable. We needed to find a way to keep the events running, because it wouldn't take long before our wallet-weary friends stopped answering our calls.

Carl came up with a creative alternative: the Santa Run. We'd hustle companies for multi-year sponsorships to support a healthy running or walking event, with a uniquely fun concept: provide every runner with a Santa outfit. Within a half-decade, we vowed to break the world record for the most "running Santas" in any place. I called the civic-minded executives of several local employers, like TiVo, Acer and Ernst & Young, who cheerily agreed to sponsor the event. Ragan Henninger did plenty of the heavy lifting, cutting through red tape, obtaining permits and reducing overblown fees to ensure that sponsor dollars remained focused on the benefit.



In our first year in 2012, we exceeded our goals for entrants and fundraising. Equally important, the spectacle of 3,000 Santas running down Almaden Avenue created an iconic memory for every observer. The Santas chased a "Grinch" — played by good sport and County Assessor, Larry Stone — in the lead car, and ran into a finish line surrounded with snow machines, blowing flakes on the finishers. Upon completing the five kilometer race, the Santas were greeted by (what else?) cookies and milk.

## NEW PARTNERSHIPS

As the Great Recession dragged on through my term in office, I continued to seize new opportunities for partnerships. We had to seek partners outside of City Hall to help us accomplish tasks that were previously taxpayer-funded. With homework centers depleted from state cuts, and city-funded after-school programs vastly diminished, I worked with the Silicon Valley Leadership Group to launch “1000 Hearts for 1000 Minds” to link local company employees to struggling public school students, engaging respected non-profits like YMCA and Reading Partners to expand tutoring in math, science and reading. We’ve already matched almost 500 adults to kids in these tutoring programs throughout San José and the Valley.



With the state-mandated elimination of the Redevelopment Agency, I worked with Kim Welsh and private sector leaders like UBS executive Rich Braugh, hotelier Michael Mulcahy and Business Journal publisher James MacGregor to enlist local business executives to engage in peer-to-peer conversations over dinner or lunch with CEOs who were considering moving their company headquarters to San José. We found — to nobody’s surprise — that corporate executives found the voices of their private-sector peers to be far more credible than those of a government official or broker making a “pitch” to come here. Those conversations also helped to provide an “in” for city officials to better explain San José’s set of incentives and value propositions. One set of such conversations, with BJ Jenkins, the CEO of Barracuda Networks, helped to encourage a decision to launch Barracuda’s new manufacturing plant in South San José, employing hundreds of workers.

## **PARTNERING IN THE FUTURE**

Through these and other partnerships, it became increasingly clear that we could still accomplish great things through a time of budgetary scarcity. Ample other opportunities exist for us to find partners to do what City Hall is doing — or to do it better. Three examples readily come to mind: sports fields, administration of retirement funds and historic preservation. Undoubtedly, there are many more, but these give a sense of the possibilities ahead.

San José suffers from a widespread shortage of playing fields for youth and adult sports leagues. Ironically, we have tens of millions of dollars sitting in the City's park-development coffers for construction of future parks, all provided through fees imposed on developers of new housing. Obstacles typically arise in finding suitable sites sufficiently proximate to the new development and in buying scarce land.

Although many public and private schools have large playing fields restricted from public use, those fields could be opened to the public if school districts strike a deal with the City. The basis for an agreement seems clear enough: the City can contribute developer-funded park fees to upgrade fields to artificial turf, saving school districts many thousands of dollars in maintenance and repair of natural turf.

Although we've begun to partner with school districts to engage in "joint use" agreements to open school fields for public use on weekends and evenings, those negotiations have been slow and cumbersome. As mayor, I will push our 19 school districts to agree on a common template for such agreements, so that we can make dozens of sports fields available for public use, with significant upgrades in quality. Both the City and schools will save millions of dollars in the long run, and our kids will benefit from greater recreational opportunities.

Administration of the City's retirement fund constitutes another opportunity for partnership. We continue to administer pension and retiree healthcare funds with city-supervised staff. A well-respected consultant has long urged, however, that we reform the process by granting greater independence to the Retirement Board and staff, free of political or bureaucratic restrictions. As my colleague,

Councilmember Pete Constant, has urged, the better practice calls for employers to hire an independent organization, with higher standards of professionalism and ample insurance coverage, to make the investment, benefit and other decisions critical for improving the performance and operations of the funds.

Finally, historic preservation advocates have become understandably frustrated about the lack of progress in performing historic surveys in San José neighborhoods, even though a couple hundred thousand dollars of developer-mandated fees sit idly in City coffers for that task. The bureaucratic explanation for inaction is that cuts in Planning staff have left the City unable to administer the surveys, which are necessary to establish which structures and neighborhoods should be identified for protection in advance. Doing so early in the process enables everyone to avoid engaging in messy, expensive political and legal battles whenever a developer has decided that they want to redevelop a historically sensitive parcel.

We need not delay doing this work because of lack of City staff. We have very capable, trusted local non-profit organizations, such as History San José and the Preservation Action Council, that routinely hire consultants that can perform this work. Simple City contractual oversight can save dollars, and get things moving.

By engaging in partnerships like these, the City could be doing more with less — and in some cases, the City could be doing something rather than nothing. We need to reach outside of City Hall for help. As mayor, I will leverage the power of partnerships like these to restore services for San José residents.

# Moneyball — and Data — Isn't Just for Baseball Fans

## STEPHEN COLBERT: INCUBATING “TRUTHINESS”

Humorist Stephen Colbert famously urges viewers to “feel the truth,” rather than consulting books and data to discern “heartless facts.” “Anyone can read the news to you; I promise to feel the news at you,” Colbert implored. Far more than any “facts” that might occupy our brain, Colbert urged us to rely on our “gut” to guide political decision-making by its “truthiness.”<sup>1</sup>



Colbert should feel reassured that he has succeeded, because “truthiness” governs decision-making in City Hall as well — particularly in the absence of data.

In the decades of the Redevelopment Agency’s tenure in San José, too often the “truthiness” of an appealing expenditure has trumped common sense in allocating scarce public dollars. Few examples seem so prominent as the \$32 million spent on business “incubators” over two decades by the San José Redevelopment Agency (RDA), on which the San José City Council served as the governing board.

Incubators are launching pads of small tech-focused businesses, providing professional and business services to small companies looking to launch. Many privately-funded incubators — ranging from Y Combinator, to Plug & Play, to in-house incubators at prominent venture capital firms like Kleiner Perkins — have launched famous Silicon Valley brands. Incubators are a great concept — and often a successful one — particularly when implemented by business-savvy venture capitalists or by tech-focused research labs.

Of course, City Hall is neither. Government-funded incubators are controversial, and the City of San José led the charge to launch several incubators over the course of two decades — the BioCenter, Software Business Cluster, Environmental Business Center and U.S.



Market Center — with the assistance of \$32 million in RDA money, in partnership with the San José State University Research Foundation (SJSURF). In Council committee hearings and in press releases, we were told that companies housed in the incubators generated \$1.2 million in annual tax revenue, and that 70% of the graduating companies filled empty office or industrial space in San José. We were told of countless awards and distinctions garnered by the incubators. We were told of Callidus Software, the exemplary “success story,” which hired hundreds of Bay Area employees since its launch. For years, the City Council bought the story: these incubators were a shining success story for San José.

I began to learn otherwise one winter evening in 2010 at a reception in a Palo Alto hotel. As I meandered through a crowd of venture capitalists and tech business executives, I stopped to talk to anyone who would listen about the benefits of starting their innovative business in one of San José’s incubators. As I eagerly pitched entrepreneurs, funders and university researchers, I parroted all that I’d been repeatedly told in City Hall about the incubators’ extraordinary success. I bored the attendees with my sales pitch.

Sadly, my sales pitch had one additional flaw: nobody believed it.

That is, in this group of highly sophisticated venture capitalists and entrepreneurs, nobody had ever heard of San José’s incubators. As that fact became increasingly apparent with each succeeding conversation, my confidence in the success — and the significance — of the City’s incubator program waned.

I began asking questions of my own to staff, for example: why would the City and RDA entrust the management of a Biocenter incubator to a university foundation that had no connection to any hospital, any medical school, any doctorate health-related programs, or any prominent biomedical research institutes? Why aren’t we following up with companies to determine why they’re leaving the incubators, or how we can keep them in San José?

In committee hearings, when I asked for data supporting the RDA staff’s and SJSURF’s assertions of the incubators’ outstanding success,

I received none. At a June 2011 RDA hearing, Council considered whether to spend another \$400,000 in RDA funds to pay for the lease on a biotech incubator. I raised questions about discrepancies in jobs data and apparent conflicts of interest. Several colleagues jumped to the defense of the well-connected executive directors of the incubators, one deeming my “cross-examination” to be “inappropriate.”

Media attention about that hearing started to shake things up. I began to receive phone calls, most from people who didn’t want to be identified publicly. Past board members, company sponsors, former RDA employees, venture capitalists and others all shared the same troubling viewpoint: the incubator emperor was wearing no clothes. As with Aesop’s fable, however, no one wanted to be the kid who would actually say so publicly.

One person familiar with City Hall told me of “the reports.”

“What reports?” I asked.

“Well, they’ve been buried,” the caller responded. “They’ve never been shown to Council. They’re not flattering, either to the RDA, or to SJSURF.”

Sure enough, consultants contracted by the RDA had evaluated the incubators, and their reports sat in the RDA’s voluminous files — but were never disclosed publicly, or to Council. The incubators’ persistent deficits compelled the authors of a 2007 report to urge new management to supplant the SJSURF, to better leverage external financial support. In 2009, three independent consultants prepared a report with even less flattering findings.<sup>2</sup>

- After \$32 million in investment in taxpayer dollars, the City of San José received less than \$200,000 annually in tax revenues from participating companies;
- By 2011, graduate companies had created only 150 jobs in San José over the prior decade and a half;
- Only 11% of the graduating companies actually occupied space within the city of San José;

- SJSURF failed to monitor its tenants, or to adequately supervise the contractors managing the incubators, despite specific contractual requirements to do so. Fifty-eight percent (58%) of tenant companies failed to even obtain a business license in the City of San José.

As I probed further, it only got worse. At least one of the private incubator managers who contracted with SJSURF took an investment position in the tenant companies on her own private account — while managing the other tenants. The palpable conflict of interest apparently didn't worry her. The same manager also received consulting fees to help *other cities* build biotech incubators to compete with San José's. Fortunately for us, she did about as well for those cities as she did for San José.

Staff and my Council colleagues held their ground, pointing to one successful start-up in particular, Callidus Software, as a poster child of incubated success. The company fled San José for Pleasanton in 2010, however, taking their jobs and tax revenue with them. When I spoke with a former senior executive at Callidus about his experience within the RDA's Software Business Cluster, he responded bluntly: "When they hired me, we all agreed that we needed to leave the incubator quickly."

I urged an audit, and that we cut off future funding. The *Mercury News* editorial board agreed, prodding the Council to lift the veil on this buried report and its cover-up.<sup>3</sup>

Nonetheless, the majority of the Council expressed little interest in scrutinizing the incubators any further. Relationships among executive directors, board members, Council and RDA staff ran deep, and many believed that RDA funding was tapped out anyway, so no harm would result by simply allowing the whole issue to die. Remarkably, few on the Council felt sufficiently indignant to want anyone to be held accountable as a result of an investigation, perhaps because sufficient embarrassment had already resulted with the surfacing of these reports. As a result, the Council left the incubators in the less-than-capable hands of SJSURF. The State of California's elimination of Redevelopment agencies statewide ultimately cut off RDA funding anyway. The program dissolved the following year.

## IN GOD WE TRUST; ALL OTHERS BRING DATA

Why did the incubator program persist for so long? How could we spend \$32 million on a program without better vetting its weaknesses?

To paraphrase Alexander Pope (and later, Frank Sinatra), “fools rush in where auditors fear to tread.” When we decline to rigorously ask questions, and demand facts instead of relying on unfounded, time-worn assumptions founded in “truthiness,” we will get burned. As I hear occasionally from a tech-employed peer, “In God We Trust; all others bring data.”

It seems self-evident that the City should make budgetary decisions by relying on data about the cost-effectiveness of the programs in which we’re investing scarce taxpayer dollars. Yet data appears vastly undervalued in public-sector budgeting. As two former White House budget directors recently groused about the federal budgetary process, Washington’s “spending decisions are largely based on good intentions, inertia, hunches, partisan politics and personal relationships.”<sup>24</sup>

We should not be surprised, then, when money appears wasted by underperforming programs or poorly-implemented initiatives. We should be furious.

While many within City Hall will jump to object that the City of San José has a long tradition of utilizing hard analysis in its budgetary decisions, I have observed plenty of examples where “truthiness” and wishful thinking prevailed over data-driven decision-making:

- For decades, councilmembers sat on our City’s pension boards with union-appointed employees. That coalition of financially naïve but union-friendly board members routinely signed off on unrealistically optimistic assumptions that actuaries used to calculate assets and liabilities of those retirement funds. For example, by pretending that the fund could consistently earn an investment rate of return of 8% (or 8.9%, if one includes administrative costs), the boards could avoid confronting the billions in unfunded liabilities in the retirement accounts. Of course, the data didn’t support these assumptions, particularly for

the conservative classes of investments appropriate for pension accounts. Warren Buffet — who has considerably more success investing than the City — assumed only a 6.9% rate of return on his Berkshire Hathaway pension fund at the time. Nonetheless, this “head-in-the-sand” approach enabled union members and the City to forestall having to pay for the actual cost of the City’s rich retirement benefits. The mayor appointed me to the Police and Fire Retirement Board in 2008 to adjust the City’s rosy assumptions to reality, and with Councilmembers Rose Herrera and Pete Constant, I successfully pushed to ultimately require the appointment of highly qualified financial professionals to take our seats on the Boards.

- Before I came into office in 2007, the Council attempted to play the role of “amateur venture capitalist” with public money through what was known as the “Catalyst Fund.” I voted against it twice, noting that even highly-regarded venture capitalists typically lose far more often than they hit the jackpot. Through the Fund, the Council used taxpayer dollars to take high-risk equity positions in local companies, losing several hundreds of thousands of dollars. With the helpful push from my similarly incensed colleague, Rose Herrera, we successfully pushed to dissolve the fund in 2010.<sup>5</sup>
- In 2008, '09, and '10, I spoke out repeatedly against the RDA’s overly optimistic revenue forecasts in its proposed budgets. RDA staff relied on paid consultants to create estimates of tax increment growth, but repeatedly “encouraged” them to make aggressive assumptions on growth to support the Agency’s ambitious spending plan. As I repeatedly argued, the consultants’ projections for growth in property valuations greatly exceeded those of the County Assessor and ran contrary to the prevailing economic wisdom of the day. Sadly, *in each one of the three years*, my warnings of inflated projections materialized, leaving the RDA underwater on its commitments, and imposing millions in costs on the City’s General Fund.
- In 2008, I publicly questioned the proposed expenditure of \$350 million on a convention center expansion. A Brookings Institute

study revealed that after two decades, the national convention and conference industry had not grown at all. It seemed foolhardy to bet a third of a billion public dollars in the hope that growth would reemerge after a generation-long absence, particularly where new technologies like telepresence seemed destined to cut into convention business. Project proponents bristled at my (already dated) suggestion in the *Mercury News* that we were spending millions on an “expanded hula-hoop factory when the kids are using PlayStations.” Eventually, the Council agreed to shrink the project by two-thirds when financing limitations became more apparent, and a more modest expansion was successfully completed — under budget — in September of 2013.

- Although the majority of the Council typically rubber-stamped the budgets, funding requests and scope of authority sought by the politically powerful Team San José (TSJ) — the contractor managing our convention and cultural facilities — I increasingly objected amid reports of rising costs and worsening balance sheets.<sup>6</sup> At my urging in 2010, after TSJ’s prior management posted a \$7 million loss, the City Auditor probed into unwarranted bonus payouts to TSJ executives, ballooning costs and shrinking regional market share.<sup>7</sup> The revelations prompted leadership changes on TSJ’s board and front office.

In each of these instances, data-driven decision-making could have saved the Council from poor decision-making. Where the Council or the City staff stuck with “truthiness,” we — and the taxpayers — paid a price.

## **MONEYBALL AND CITY HALL**

Billy Beane is the General Manager for the Oakland Athletics’ major league ball club. Embarking on a discussion of anything with a reference to major league baseball will typically put at least half of anyone’s readership to sleep, but after all, we’re talking about the budget here — I’ll presume that we’ve already got plenty of folks nodding off.



Beane famously captured the imaginations of fans of baseball and workish math with his data-focused approach to selecting baseball players in the early 2000s, an approach that became known as “Moneyball.”

Over the last dozen years (to this day), the Oakland A’s routinely competed against teams with payrolls three to four times those that the A’s would pay its (typically young and undistinguished) players. Remarkably, over the last dozen years of Beane’s tenure, the A’s have won more games than almost any team in the League (only the Yankees and Red Sox have won more), and put together dazzling seasons with a collection of no-name rookies and rejected veterans. Beane has since been immortalized by Brad Pitt in a major motion picture, *Moneyball*, based upon a Michael Lewis eponymous best-seller (not surprisingly, I’m hoping that Brad Pitt will also play my role when production begins on the long-awaited movie about San José politics).

Beane’s secret? He didn’t accept the typical off-the-cuff “expertise” of major league scouts about which players had the “best-looking swing” or the “toughest curve ball.” He focused on data. He didn’t focus on just *any* data, either. Any 8-year old in the Bronx can recite the annual home run totals and batting average for Alex Rodriguez. Beane identified less traditional measures that had greater correlations to outcomes; for example, rather than mere batting average, he found higher on-base percentage to be a better predictor of a team’s run-scoring ability. Utilizing this data, he routinely found low-salary players who could have a higher impact on scoring or preventing runs than the high-priced free agents.

Two former White House budget officials — Peter Orzag and John Bridgeland — provocatively asked the question embedded in the title of a June 2013 issue of *The Atlantic*, “Can Government Play Moneyball?” While Orzag and Bridgeland targeted the federal government, their point is a broadly applicable one in the public sector, where incremental budgeting tends to insulate poorly performing programs from scrutiny, perpetuating suboptimal spending patterns. “Fresh Start Budgeting” and other innovations have sought to force these seemingly

unconscious decisions into the light of public scrutiny, but for various reasons, have not taken hold broadly.

We can do better. Like me, many of my classmates entered graduate studies at the Kennedy School of Government convinced that we'd work on the great policy issues of the day such as health care, crime and economic development. Instead we encountered a class of mathematics. Quantitative analysis deluged us in every form — econometrics, optimization and microeconomics. Why? Because math is the language of policy analysis. It enables us to reach relatively objective conclusions *before* we inject value judgments and emotion-laden views about what's best — so that we can have a fair conversation about how we best effectuate those values.

Similarly, as we all know, private sector decision-makers don't invest hundreds of millions of shareholder dollars on a gut instinct; they do the analysis, for example, to know whether a takeover target stock price is inflated or a bargain.

Yet in City Hall, we don't see quantitative policy analysis of even a modest level of sophistication. For example, you'd be hard-pressed to find a single staff or consultant report in City Hall that utilizes a common tool known as regression analysis. Regression is a mathematical method that enables economists to identify which factors might independently have stronger or weaker influence over a particular outcome, which is particularly valuable in a complex world where outcomes have multiple causes.

Why might the City need to rely on that tool? Here's one example: we spend millions of dollars fighting gang violence, through the police, gang prevention, gang intervention and gang suppression programs. Regression analysis could help shed light on whether reductions in gang violence appear more strongly correlated to changing police tactics, expenditures on gang prevention programs or simply the start of the school year. If we have scarce dollars to devote to a difficult problem like gang crime, shouldn't we want to know where those dollars can be spent most effectively?



I'm not suggesting that numbers and data should supplant our good judgment about how to best spend the public's dollars. Nobody wants heartless, nihilistic robots to represent them on the council. Ultimately, budgetary decisions reflect our values, and human wisdom is the best tool of all.

But the lack of data-driven rigor undermines our ability to focus and use our scarce resources to best effectuate those common values. We all value violence prevention, but what's the most cost-effective path to doing so? We all agree in the importance of literacy, but if we could more efficiently use technology to help teach adults to read in our libraries, wouldn't we all agree to use the savings to help more adults read to their kids? By asking these questions, and with an openness toward the data about outcomes, we can achieve better results.

### **"FRESH START" BUDGETING**

Finally, the lack of rigor in budgeting decision-making becomes most apparent every June during the council's budgetary deliberations. Councilmembers issue a flurry of memos to address small portions of the budget — a hundred thousand dollars to keep a library open on Saturdays, or \$180,000 to hire a couple more park rangers, for example — but close to 99% of the roughly \$2.5 billion budget goes largely unscrutinized.

Why? Historic budgeting. That is, every year, the City Manager instructs each of the City's department heads to assume that their budgets will grow, say, 2%, or be cut, say, 3.5%. The director of, say, Public Works, or the Police Chief will then submit a proposed budget to the City Manager that looks nearly identical to last year's budget — with a description only of the incremental or decremented changes. The public, media and Council see only those changes — which positions are added or subtracted, and how much it will cost.

What remains hidden beneath the waterline, of course, is the great mass of the iceberg. Some 98% of the budget will remain to be "approved like last year's," and is seldom questioned. Occasionally, Councilmember Pete Constant or I will raise a question about "the rest

of the department's budget" — i.e., the rest of the iceberg. It's nice to add positions in community centers, for example, but how do we justify what we're already spending in community centers? What are those dollars getting us? Should we be spending more or less on one program? Should we completely eliminate an underperforming program, so we can fund something else?

Those questions aren't addressed with the current process. In my experience, the worst decisions made in government tend to be those decisions that aren't deliberately made. They're the "default" choices. These "hidden decisions" pose a unique danger because they're the least transparent to the public. They undermine our highest priorities by allowing the City to inattentively spend money on programs that may have little to do with taxpayer priorities. Incremental budgeting allows what we care about most — whether that's public safety, road repair or housing the homeless — to remain underfunded.

Of course, asking these questions imposes much more work on the City Manager's staff. It requires city staff to lift the hood so that we can all look at the engine. It's data-intensive, and requires managers to work harder to explain why we should "stay the course," or whether we should stop doing some things so that we can reallocate funding to higher priorities.

Publicly, Councilmember Pete Constant and I have urged Budget staff to provide Council with line-item information within the budget, yet every year, we see the same 400-page budget without line items.

As mayor, I would hit the "reset" button. This requires implementation of an approach known as "Fresh Start Budgeting." Fresh Start Budgeting requires that we begin each year at zero. We don't look to last year's budget for next year's authorization of the Department of Transportation or the Library Department spending. We start at zero. No open libraries, no repaving, no streetlight repairs. Assume that nobody gets any money.

Now, what do we value? What do we prioritize?

Fresh Start Budgeting requires us to begin with those very difficult

questions, and to do so publicly. We decide and approve every line item, not merely the incremental changes.

Of course, nobody believes that the City Council can do this for every single department, all at the same time, during our annual budget hearings. It's very time-consuming, and it would engender bureaucratic gridlock. Moreover, some spending is specifically mandated by federal or state law, such as the use of airport landing fees or utility undergrounding charges.

So we should pick our spots, and focus Fresh Start Budgeting where the Council has meaningful discretion to use the dollars, primarily within the General Fund. We should target particular departments strategically, knowing that some spending categories appear more flexible than others. The critical thing is to ensure that virtually every major department is “scrubbed” with a Fresh Start Budgeting approach, say, every 4 years. Rotating Fresh Start Budgeting from one department to another each year will force a public discussion of priorities that is largely lacking in civic discourse in this city — and nearly every other city.

Further, we can rely on our City Auditor's Department to participate in the “scrubbing” of each department. A recent audit of our Library Department found some \$1.5 million in potential savings in improved deployment and assignment of staff, for example. Those savings could enable us to open our libraries additional hours to better serve our public citywide, such as by opening every one of our 25 branches on Saturdays. Combined with Fresh Start Budgeting, we can improve performance and better prioritize spending all at once.

In the meantime, in each year's budget, we should make public every line item in every Department, so even if there's not debate on the floor of the Council Chambers, there can be public scrutiny of every dollar. We can save the printing costs and post it all on-line. Imagine the opportunities to engage residents to look at each line item with us, exploring how we can save money by leveraging our community's creativity and resourcefulness. We could host on-line “study sessions” to solicit ideas about more efficient approaches to spending and service

delivery. All of that first requires, however, that we have the courage to enable the public to “look under the hood.”

By routinely “lifting the hood,” we can both better engage the public, and make more effective budgetary decisions that reflect our highest priorities. After all, isn’t that the real purpose of a budget?

## **OPEN DATA**

Finally, as I discuss further under Rule #3 below, we can leverage public engagement to help us better use data to improve our decision-making if we make that data public. Creating “open data” platforms that San José’s many amateur and professional software developers can utilize to help City Hall improve the cost efficiency in its delivery of services and projects. For example, consider how we might post budgetary data regarding code enforcement, along with raw data around the number, type, location and compliance rate of various code enforcement citations. Savvy app developers could help us better understand whether we can better address neglect by deploying code enforcement officials proactively at different times or neighborhoods to enable us to address blight and generate revenues that could better sustain the program.

All of this provides an appropriate transition to a broader discussion about how we can leverage technology and innovation to spend our scarce dollars smarter.



## **Innovating in Times of Scarcity: If Necessity is the Mother of Invention, Then Listen to Mom**

Strong leadership recognizes the opportunity in every crisis. Our fiscal challenges present us with the ability to think differently about how we serve and protect our residents.

Taking a few steps outside City Hall, we can learn the lessons from the extraordinary innovation all around us in Silicon Valley, and we can forge a path to better services and a safer city. Innovation can help make San José safer, better served, and, through it all, more cost-effective.

Some of the best cost-saving innovations, though, focus on the budgetary process itself. Earlier in this chapter I described “fresh start” budgeting, my variant on the zero-based budgeting upon which private sector firms routinely rely. By better engaging the public in our budgetary processes, we enable transparency and accountability to improve the discipline in the budgetary decision-making process.

## **CROWD-SOURCING FIXES — AND BUDGETARY DECISIONS**

Another innovative way of engaging the public in budgetary processes — called “participatory budgeting” — has gained adherents in cities throughout the world where it has been tried.

San José has a wealth of community-minded leaders who deeply engage in supporting their city through their volunteer energy, organizing clean-ups, tree-plantings and graffiti removal efforts on one weekend or another. Some — like Parks Foundation Executive Director James Reber or CommUniverCity community director Imelda Rodriguez — leverage sophisticated partnerships with non-profit organizations to build new playground equipment with a team of volunteers, or with corporate foundations to improve health outcomes. Others, like Graham and Sandra Stichman, simply encourage their neighbors to join them once a week to pick fruit from participating neighbors’ yards to donate to a local food bank.

Very often, I hear of creative ideas from our neighborhood leaders and community advocates about how we could “do more with less.” I’ve often acted on that advice, for example, to secure the availability of a city truck and driver to provide tools and collect garbage to support Saturday neighborhood volunteer clean-up projects. The logic seems incontrovertible: a few hours of a single city staff person can leverage thousands of hours of many volunteers, and we’ll all benefit from the result.

How can we better leverage that community energy to make our scarce public dollars more effective?

From the town of Puerto Alegre, Brazil, a concept known as “Participatory Budgeting” has emerged. It has since spread to 1,500 cities including San Francisco, Chicago and New York. The notion is simple: by identifying a restricted pot of funding for community-specific projects, we can empower local communities to directly determine the expenditure of small amounts of public dollars for relatively small, discrete projects of significance to the community. Interested residents gather through an agreed-upon public process, vote on their highest priorities, and the local council or board

allocates the money accordingly. Some residents will push to improve a pedestrian crossing with a flashing beacon in front of a school or senior center. Others will seek to improve the drainage in a frequently flooded park or improve the lighting on a crime-ridden street. Research on participatory budgeting demonstrates many positive benefits, including more community engagement, increasing social interaction in neighborhoods, and the like.



Most interestingly, the research also shows that well-designed participatory budgeting approaches can stretch public dollars farther. Why? Neighborhood and community leaders are very resourceful. They persuade their neighbors to volunteer. They hustle their tech employers and their company foundations for grants. With volunteers and matching dollars, they get park benches fixed, install playground equipment, trim hedges and clean graffiti without red tape and bureaucratic delay.

We can leverage their energy, their volunteer time, and their grant dollars by allocating very small amounts of city dollars, with much greater impact. An effective participatory budgeting process can prioritize funding for those projects that best “leverage” the volunteer time, energy and dollars with public dollars, to ensure that we can do more with less.

Technology can help as well. On-line tools like NextDoor can make an on-line public decision-making process more transparent and less clumsy. Other tools, like See-Click-Fix, can geo-tag data from resident complaints, to enable residents to visually observe a map identifying the area's most frequent gripes. City staff and local residents can better understand whether people are most concerned about a replacing a streetlight, or about installing a surveillance camera near a corner liquor store that attracts a lot of gang members. In either case, they can allocate resources to the items deemed highest need with some objective data to help guide their decisions. By enabling everyone in a community to see the priorities of their neighbors, volunteer groups can better mobilize to fix what they can without the City and to better organize for public resources where they need them.

All of this can start with a relatively small allocation of public funding — as little \$100,000 per council district, a quantity smaller than the mayor routinely makes available for Council-directed funding priorities in each budget cycle. Of course, the mayor and the Council would have to agree to cede control of this small pot of funding, to allow our residents to make decisions for themselves.

Are there risks? Of course — nobody said democracy was free, or without risk. Council can contain the risk by starting small. By initially allocating a small amount of funding, we can closely monitor the process, learn, and adjust. Within a couple of years, we'll see that a participatory budgeting process can stretch our scarce public dollars much farther, and we can carefully make larger investments.

Beyond the dollars and cents, participatory budgeting brings other benefits. Residents engage with one another about their concerns. We build relationships in communities where stakeholders might otherwise have little motive to get to know their neighbors. Social capital builds, and neighborhood safety often improves.

Residents also become more sophisticated about the real costs, and real impacts, of budgetary choices. The mantra of “the City should just install one of those... [x, y, z]” to solve every local problem starts to disappear, because neighborhood leaders become more savvy



about the costs, and benefits, of various options. Community leaders become more focused, well-informed and effective in getting what their neighborhoods need from City Hall.

## **The Rule of Holes: When You Find Yourself in One, Stop Digging**

The “Rule of Holes,” of course, only applies to those of us unfortunate enough to land in one. That described the experience of those of us who took office in January of 2007. In my first weeks on the job, I learned that rule changes by GASB, the Government Accounting Standards Board (the organization governing national accounting standards) would force cities throughout the country to more clearly disclose the status of their retirement accounts. City staff widely disclosed, for the first time, that it faced an unfunded obligation of \$1.6 billion to pay for medical care for its retirees. That is, taking all of the contributions to the retirement fund by city employees and taxpayers, after assuming an 8% annual growth from investments (a wildly optimistic assumption, as we’d soon learn) and additional contributions over the years, we’d still end up \$1.6 billion short after 30 years of paying out medical benefits to our retirees.

And here was worse news: that didn’t even count our pension obligations. Sure enough, within a few months, we would find ourselves in the worst recession in three-quarters of a century. The stock market losses sank portfolios throughout the country, wiping out life savings and retirement funds. The following year, the toll of those shortfalls fully exposed the foolishness of the steadfast optimism of the San José retirement boards in their fund returns (which the two boards estimated at rates north of 8%, rates twice as high as many private companies’ retirement funds).

Mayor Reed appointed me to the Police and Fire pension board to fix the problem, and I immediately began pushing for more transparent, realistic accounting of our pension obligations by reconciling the fund’s optimistic actuarial assumptions to reality. Two years before Measure B, I wrote an op-ed in the *Mercury News*, arguing for pension reform and

cuts in retirement benefits for new hires.<sup>8</sup> I was outspoken in my support for Measure B, and as mayor, I'll continue to push forward for pension and fiscal reforms.

The problem, of course, is that we're still in that hole. And it's a big one: \$3 billion in unfunded retirement obligations alone. What, exactly, do we do about that in the coming decade?



## **STEP ONE: STOP SPENDING OUR GRANDCHILDREN'S MONEY**

Although we've made great progress under Mayor Reed — particularly if we successfully push Measure B's reforms over the goal line — we still have much work to do. As with any credit card obligation, our failure to pay any "required minimum" on our unfunded liabilities subjects the balance to compounding interest, making our debts grow.

Our retirement obligations are divided in two basic categories: pensions and retiree healthcare. Most of the public debate around retirement benefits in the media focuses on pensions. Most taxpayers remain unaware that the scale of our billion-dollar unfunded liabilities for retiree healthcare rivals that of our pension benefits.

Although San José now pays its full pension obligations annually, we don't do so on the retiree healthcare side. In other words, some portion of the annual cost of retiree medical care is still subsidized by our children.

Why? Our willingness to “lift the veil” on our enormous unfunded liabilities in the City’s retirement accounts has forced us to take some tough medicine in the form of sharply rising contribution rates to pay off these obligations. On the healthcare side, both the city and the employees have the responsibility of paying the annual tab for retiree healthcare plans, and a spike in contribution rates was causing most employees’ take-home paychecks to shrink precipitously. To soften the blow, and as we faced officers departing at record rates due to cuts in pay and benefits, the City agreed to cap the annual contribution rate increase for our police and firefighters. The difference between what was getting paid — “the cap” — and what the actuaries told us had to be paid — the “annual required contribution” — was simply added to the growing pool of unfunded liabilities.

As we continue to restore and (subsequently) increase pay — particularly in the Police Department, where pay will be restored by 11% over the next two years, we need to eliminate the “cap.”

As mayor, I will push to ensure that that City pay its annual retiree healthcare bill. We need to extract provisions from our union contracts that only deepen our unfunded liabilities, and that push those obligations on to future generations. Our children and grandchildren have a sufficient burden from our bad decisions; they don’t need our debts as well.

## **STEP TWO: PRESERVE EMPLOYMENT LAND FOR OUR LONG-TERM FISCAL BENEFIT**

San José is the only major city in the United States with a smaller population in the daytime than the nighttime. More typically, major cities are job centers. San José, in contrast, is the bedroom community for the rest of the Valley.

There are enormous fiscal implications in this jobs-to-housing imbalance. Why? Employers pay far more in taxes — taxes on everything from sales, utility, business licenses, TOT and assessed valuations of land, plant and equipment — than they consume in revenues. Residents certainly pay plenty of taxes, but most of those

revenues go elsewhere, such as the County, the school districts or the state. Services to residents cost money. So, housing generally doesn't "pay its way" in supporting the General Fund, unless the housing has exceptionally high value (e.g., millions of dollars per parcel) or exceptionally high densities (e.g., a high-rise in Downtown San José), where property taxes can exceed the service delivery costs.

So, taxpayers do better fiscally by having more employers, and fewer residents, in their city. That is, they receive better services for whatever taxes they're paying. For that reason, politician after politician in San José has long bemoaned what is known as San José's perilously low "jobs-to-employed-resident ratio." That statistic, which has long hovered around 0.85 or less in San José, compares with jobs-to-employed-resident ratios in excess of 2.0 or even 3.0 for cities like Santa Clara or Palo Alto. We're less able to fund basic services than those cities because we're "jobs poor."

Nonetheless, decades of conversions of industrial land and other employer-suited parcels have been identified for conversion for housing over several decades. The political pressures to convert employment-supporting land to housing are tremendous: wealthy developers and development-related industries support local campaigns more than any other funding source. Even surrounding neighborhoods would often rather see an old warehouse or industrial eyesore become redeveloped for more attractive housing and a park. That erosion of our jobs-supporting land has also eroded our fiscal standing.

As a Councilmember, I led the task force responsible for crafting San José's blueprint for future development — known as the General Plan — to focus on a "jobs first" approach. The idea was simple: preserve employment-supporting land from conversion to housing.

Of course, housing is still vitally important. San José will continue to grow in population, if for no other reason than to house our children and grandchildren. Local employers routinely tell us that the lack of reasonably priced housing for their workforce constitutes their greatest impediment to expanding in this Valley.

So, to maintain job growth, we need to keep building housing. Yet, *how* we do so matters. We can focus that new housing development in the form where it provides the best return for our taxpayers: dense development along our key transit corridors, in places like Downtown, along North First Street and near our future BART stations. I led an effort to revitalize Downtown housing development by offering basic incentives, such as reducing permit timelines and cutting fees, for high-rise construction in the core. The results



— two high-rise residential towers and one hotel under construction, with at least two more to follow this year — will provide a windfall for the General Fund, as we convert blighted parking lots into \$130 million towers that will provide tax revenues for years to come. This development also provides San José with more environmentally-sustainable “smart growth” development that will also relieve the traffic congestion we’d otherwise see on freeways burdened by suburban sprawl.

My actions as Councilmember shed light on my approach as our next mayor. We have to hold the line against conversions of industrial and other job-supporting parcels and we have to focus our housing development on the form that provides the best return for our taxpayers. This approach will ensure that we have a growing source of new revenues and jobs that will enable San José to restore services, safety, and quality of life.

## **THE FUTURE OF COMPENSATION: PAY, NOT BENEFITS**

As we slowly pull San José’s budget out of its fiscal morass and as revenues begin to recover from a strengthening economy, we should restore compensation to our employees. Severe cuts — the equivalent of a roughly 14% pay cut, plus sharp increases in required retiree fund

contributions, reductions of medical benefits, implementation of a lower-tier pension for new employees and elimination of sick leave pay — have taken their toll on the workforce. Throughout 2012 and 2013, we lost a half-dozen police officers per month, bleeding the department of its experience at a rate far higher than we could possibly hire and train replacements. Defections of electricians to other cities has left us with dangerously low levels of staffing at the sewage plant, forcing us to hire part-time contractors to prevent the plant from a catastrophic shutdown. Neighborhoods now wait many months before electricians can address the backlog in repairing streetlights with stolen copper wire.

So, we need to boost compensation to reduce the flight of our workforce from City Hall. How we restore compensation, however, remains a critical question. We must increase pay to keep people on board, but not allow for richer benefits.

Why? Because salary is transparent. Employees know what they're getting. Taxpayers know what they're paying.

Calculating the cost and value of benefits like pensions and medical insurance, however, is much murkier. Their costs depend on a complex interaction of assumptions and actuarial calculations.

Hence, the sins of the past: prior to Measure B, politicians could avoid appearing as though they were “selling the store” to politically powerful unions by approving modest increases in pay, but large improvements in benefits. Why? Because benefits are harder for the public to understand. The public is far less likely to get enraged over a 1% increase in an annual pension accrual rate than a 5% increase in pay. The former is far costlier than the latter, however, and would run taxpayers into a hole hundreds of millions of dollars deep. Simply put, we have to hold the line against increasing retirement benefits. Financial concessions to unions at the bargaining table should take one form: salary.

While we're restoring pay, we need to eliminate those outdated relics and questionable “special pays” that continue to burden taxpayers and the City, inhibiting us from hiring more to improve services. Those benefits include the infamous “sick leave payout,” in which

some employees can receive six-figure lump-sum payouts upon their retirement, representing the accumulated value of their unutilized sick leave. As of this writing, we've eliminated the benefit for most city employees, but the benefit still costs taxpayers about \$6 million per year for sworn firefighters and police. Sick leave was created to help employees take time off to address health problems of their own or their kids, not to pad a retirement nest.

We also have work to do to eliminate overtime pay for those management-level employees who already earn higher salaries by virtue of their elevated position. Federal law has long recognized what we all know from our private sector experience: supervisors and management professionals are expected to work additional hours. At the management level, expectations rise, and so do salaries. Again, although we've made progress among our non-public safety employees, we continue to incur seven-figure bills each year for overtime for Fire Battalion Chiefs and supervising officers.

If we cannot eliminate these and other archaic and expensive vestiges of the fiscal hangover of the last two decades, we will have less money to do what's important: to hire more police and other employees to better serve our residents and to pay employees a sufficient wage to attract the best and brightest. The mayor for San José's next decade should commit to restoring pay, not capitulate to restoring benefits.

## **CASE STUDY FOR TRANSPARENCY: THE CITY VERSUS THE COUNTY**

If the "Rule of Holes" is to stop digging, the way to start is to actually see that you're standing in one. Sadly, the City's lack of transparency about its retirement fund deficits in past years left a Council either unaware of, or unwilling to, recognize the depth of the hole. So the City kept digging.

Fortunately, the City's digging stopped years ago, after we came to the realization about the depth of that hole. Many local municipalities unwittingly continue digging.

When we did stop digging several years ago, San José pushed elected officials in other jurisdictions into a difficult predicament: would they open their closet door to see what needs to be cleaned? Or, would they join in criticizing San José's approach, in denial of their own severe retirement problems?

We learned the answer in March of 2012, when a group of County Supervisors and local state legislators called a press conference at City Hall to call for a state audit of the City's pension funds and budget. The timing wasn't coincidental; we'd just finished 10 months of contentious negotiations with our labor unions and remained at an impasse. Unable to reach an agreement, a council majority, led by Mayor Reed, pushed to place a measure on the ballot to change the City Charter to overhaul our unsustainable pension system.

The call for an audit was puzzling to many. The City's actuarial analysis had been vetted months in advance, with little opposition on any technical grounds. Even the police union's own actuary agreed with the pension fund's City's actuary about the size of their pension plan's multibillion dollar unfunded liabilities. It wasn't the math we disagreed about; it was how to solve the problem.

Of course, more cynical observers considered the press conference an attempt to slow down the process and avoid a public vote. Indeed, the *Mercury News* characterized the episode as “a three-ring circus — with the clown imported from Sacramento, where [one] Assemblyman... wants a legislative committee to audit San José's pension system for purely political purposes.”<sup>9</sup>

The irony wasn't lost on many observers that several of those who were poking their fingers in the air in front of television cameras served on the San José city council during the time in which generous pension and other retirement benefits were authorized. Several of the County board members present that day — had their hands on the steering wheel over the prior decades when the pension truck was driven into a \$3 billion ditch. Throughout that time, unfunded liabilities grew as pension boards and city councils cheerily accepted overly optimistic assumptions about the key variables — e.g., the funds' rates of return,



the life expectancies of members, and the like — that enabled the City and its employees to rack up huge liabilities without paying for them.

Of course, the County has pension and retiree healthcare obligations to its own retirees, and questions have long arisen over whether the County has similarly promised more in benefits than it can financially deliver. Decades ago, Santa Clara County actually imposed a special tax on property owners, known as the “PERS Levy,” to help it pay for its pension obligations to the state CalPERS fund. Every one of us who owns a home pays that PERS Levy each year. Nonetheless, even with that tax, the high level of promised benefits left many suspecting that the County’s funds would not suffice to pay its retirement bills.

When Joe Simitian joined the County Board of Supervisors in early 2013, he’d heard of those suspicions as well and called for County officials to come clean with the size of their unfunded liabilities. Sure enough, he learned that the County faced some \$1.8 billion in unfunded liabilities in its retiree healthcare account alone. When Simitian was last on the County Board, over a decade before, he presided over a liability of only \$69 million. Now, after returning from the statehouse, he had the unpleasant experience of being saddled with a problem twenty-five times as large, apparently due to the failure of the County to pay for the benefit for several years. Even worse: the County’s unfunded *pension* obligations add over \$2 billion to that total, making the County’s unfunded liability larger than the City of San José’s.

The public revelations in the media forced County staff to recommend substantially higher retirement contributions from its employees in contract negotiations. Simitian’s efforts to expose these numbers to light, of course, have created a palpable irony: the labor-dominated Santa Clara County Board of Supervisors has developed labor problems of its own. Its largest union, SEIU, threatened to strike in August of 2013, objecting to County administration’s insistence that they pay a larger share of their retirement contributions.

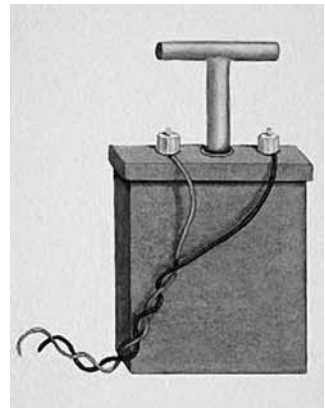
There are a few lessons in all of this, but the biggest lies in transparency. Politicians might obfuscate and twist facts, but the numbers don’t lie. None of us — not even the most politically savvy —

can hide from the math. Eventually, the public will be forced to foot the bill for shortsighted or self-interested decision-making of elected officials. If we're to make elected officials more responsible in crafting a budget, it all begins by exposing the numbers to the light of day.

## Don't Just Think Outside the Box; Destroy the Box

Sometimes our biggest challenge in finding the resources needed to provide a public service lies not in scarcity, but in bureaucratic barriers. In response to a colleague's repeated use of the overworn admonition to "think outside the box," Mayor Reed once quipped, "sometimes, we should admit that we created the box." Where we've imposed limitations on our action that have outlived their usefulness, local officials have a responsibility to destroy "the box" in order to get things done.

As Bruce Katz and Jennifer Bradley have argued in their recent work, *The Metropolitan Revolution*, cities provide the rare forum where we can break down boxes to get things done. Congress wallows in partisan gridlock. Powerful lobbyists and interest groups make our state legislature in Sacramento sclerotic, reinforced by politicians who have pledged their fidelity to ideology and party over pragmatic problem-solving. So, the challenges fall into the laps of big-city mayors and innovative City Hall thinkers, who increasingly emerge with unorthodox solutions to accomplish goals amid challenging budgetary constraints. We can see a couple of simple examples of that pragmatism right here in San José:



### HOUSING THE HOMELESS

The unofficial numbers of homeless who live in the dark corners of Santa Clara County streets, creeks, and empty lots likely exceed 12,000. For many of them, in addition to their own personal misery,

their homelessness carries a large price tag to the public: a single homeless man in San Francisco was estimated to have cost that county's taxpayers some \$60,000 for a single year of emergency medical response, jail visits, police arrests, emergency room visits and the like. Remarkably, it costs about \$21,000 annually to house an individual, with the help of a supporting case manager.

Of course, it's not so simple as to say, "let's just house them." The cost to house all of the County's homeless has been estimated to exceed half a billion dollars. No public source of funding approaches even a fraction of that amount; annual support for rapid-rehousing strategy for example, approached about 1% of that total.

The best we can do is to be more cost-effective with the scarce dollars that we have. We can start by getting those people who *do* have some financial resources, such as rental vouchers, into housing. Remarkably, 97 homeless individuals in San José have (at the time of this writing) rental vouchers that would ordinarily entitle them to live in a small apartment, but they cannot find any apartments available at rates resembling what a typical "Section 8" voucher might pay.

Coincident with the surge in our homeless numbers, we've also seen rapid growth in prostitution activity near many of our "motel corridors," around North 1st Street, Monterrey Road, the Alameda and North 13th Street/Oakland Road. We worked with motel owners, many of whom agreed to stop accepting cash payments, to require registration, and to refuse letting rooms to identified pimps. These and multiple other efforts, ranging from undercover police surveillance, to city-filed nuisance lawsuits, to more community-led efforts, have largely failed to get much traction. Prostitution is the world's oldest profession for a reason, and for every way we could try to stop it from happening, there were three ways around it for persistent pimps, prostitutes and johns.

Many of the motels appeared to have only marginally profitable businesses anyway. I talked to several motel owners who told me that if the City allowed relatively easy re-development or reuse of their buildings, they'd happily get out of the motel business.

So, in 2012, I proposed a relatively simple idea: give owners an incentive to convert them to another use. Specifically, I proposed that we convert run-down motels to affordable housing for the homeless.<sup>10</sup> I asked the Housing Department to analyze the option, and they confirmed my suspicions: even for all of the cost of upgrading motel rooms to meet state building codes, we could rehabilitate underutilized motels at a fraction of the cost of constructing new housing. Best of all, we had almost 100 voucher-bearing homeless who could provide the landlord with a steady stream of rental income to help finance the improvements.

After substantial internal bureaucratic wrangling, the Council approved a decision to move forward, and we will lease up our first motel this year. For dozens of homeless, this pilot project can provide a promising start on the path to self-sufficiency, while saving taxpayers money.

## **HOW STORM SEWERS CAN PAY TO SWEEP STREETS**

When I knocked on doors during my 2006 campaign for City Council, I heard frequent complaints in many modest-income neighborhoods surrounding the Downtown about the lack of street sweeping. “I haven’t seen a street sweeper in a decade,” one Spanish-speaking resident told me. “Todos los calles están sucios!” More affluent neighborhoods rarely had such complaints, though.

Once I got into office, I got to the root the problem: it wasn’t the lack of sweepers; it was too many parked cars. Many homes in our less affluent neighborhoods had multiple families and many adult relatives living under the same roof. As a result, parking was hard to find; all of the residents’ cars filled the street. Most of those neighborhoods lacked signs that would inform residents about the day of the month on which they should expect street sweeping. Given the high proportion of renters in those neighborhoods, often with high turnover in tenancy, few residents knew which day to move their cars. The sweeping machines wouldn’t operate on streets with many parked cars, because the operator didn’t want the liability of damaging the cars with the sweeping equipment. So, the sweeping machine would simply move on — to another street, and too often, to another neighborhood.

The simple solution? “Install some street sweeping signs,” I urged. Cities like Oakland, San Francisco and Anaheim blanketed their neighborhoods with such signs, covering over 90% of their city streets, to ensure safe passage for street sweepers. In San José, we covered a little more than 8% of our streets. Why couldn’t we perform this simple, inexpensive task as other cities had?

“Not so fast,” I was told by one Department of Transportation official. “The General Fund runs about \$80 million short each year for our annual tab for street paving and maintenance in our city,” they insisted, “and our residents would rather that we prioritize the street repair and repaving over spending dollars on street sweeping signs.” So, street sweeping signs became yet another budgetary casualty. While understandable, it was not defensible that many lower-income residents were still paying (directly, or through their rent, indirectly) a monthly bill that reflected payment for a street sweeping service they never received, all due to the City’s inability to post simple, inexpensive street signs.

While Transportation staff and Council might understandably have defended the General Fund from any additional burden, it seemed to me that we could find funding in another source. I urged us to consider using the Storm Sewer Capital Fund.

What does the Storm Sewer fund have to do with street sweeping? Well, it’s a ratepayer-supported fund used to manage storm water runoff to our rivers, creeks, and Bay. One of the key stated purposes of the Storm Sewer Fund lies in improving water quality — that is, to reduce trash and pollution — in that runoff. Street sweeping dramatically reduces the quantity of toxic and non-biodegradable pollutants — plastic trash, oils and the like — that would reach these waterways and damage local habitats. We had millions in the Storm Sewer Capital Fund’s reserve, and there appeared no obvious threats on the horizon to the Fund’s ability to adequately pay for projects like storm drains and outfalls.

Internally, attorneys objected that state laws created “walls” restricting every fund’s use, and this was an unorthodox way to spend the money.

If the use wasn't "lawful" within the Storm Water Fund's restrictions, a ratepayer could sue the City, and we'd be on the hook for millions. As I came to learn, the fear of getting sued comprised the justification for our failure to accomplish many otherwise sensible objectives in City Hall.

So, with Councilmember Xavier Campos, I took the item to the full Council to have a public discussion over whether the risk of "doing something" was preferable to the certainty of "doing nothing."<sup>11</sup> After extensive analysis, our imminently reasonable City Attorney, Rick Doyle concluded that the expenditure "fit" within the purpose of the fund. New leadership in key city departments (Transportation's Hans Larsen and Environmental Services' Kerry Romanow) agreed that we needed a more flexible approach.<sup>12</sup> Every councilmember had neighborhoods in need of street sweeping. So, we agreed to break down the "box" that constrained us — and we're installing hundreds of sweeping signs across miles of neighborhood streets today as a result.



## A PARK FOR THE NEWHALL NEIGHBORHOOD

In a small neighborhood just east of The Alameda, local developers and the city had long-promised to convert an empty industrial lot to a park. Neighborhood leaders like John Urban and Matthew Bright had grown tired of hearing of all of the new development planned for the neighborhood — with many families lacking any basic recreational amenities.

In this case, we actually had the money to build the park. The Sobrato Corporation had paid a hefty fee to build a park in the neighborhood as part of its obligations for the construction of a housing development in Newhall. The problem: we had no money to maintain the park.

Developer fees under state law can be used for capital purposes — building parks or playgrounds — but not for operations or maintenance. After the economic collapse in 2008, the Council slashed spending for park maintenance, and the impact was palpable in neighborhood parks citywide. Nonetheless, the city's parks trust fund — financed by developer park fees like Sobrato's — remained flush, with over \$80 million in the pot. So, the city was constructing new parks that were rapidly becoming overgrown within months and falling into disrepair.

Eventually, the Council wisely made the decision to stop building parks that we lacked the money to maintain. We might use the parks trust fund to buy land for future park development, but we agreed that we shouldn't install grass or playground equipment that we couldn't maintain. Parks development halted citywide.

John came to my office one day in 2009, understandably upset about the fact that the City had pulled the rug out on their commitment to build a park in the neighborhood, or had at least delayed the performance of that promise indefinitely. I agreed to consider creative solutions.

“Why can't we simply tap that Park Trust Fund?” John asked. It was a question that many neighborhood leaders had asked before, noting the irony of a capital-starved park maintenance budget set against a Park Trust Fund reserve of over \$80 million. I always responded by

carefully explaining the capital-restricted nature of that fund under state law. That was fine for lawyers, but it never satisfied any resident who pointed to the irrepressible assault of weeds and rust on their own local parks.

Yet here was an example, John noted, where the developer wouldn't care how they paid the fee — the developer wanted the park for their new residents, just as the community did. So, we devised a plan to allow the Developer to “waive” a portion of the capital-restricted park fee and to instead pay into a maintenance fund for a newly-constructed park.<sup>13</sup> A lot of quibbling and discussion between Parks staff and our city attorneys resulted, but Council ultimately embraced the idea. The developers at Sobrato Corporation happily signed the agreement, enabling their millions in fees to actually be put to some good use, and construction on Newhall Park commenced.

In 2011, we celebrated the grand opening of a beautiful neighborhood park in Newhall at an event attended by hundreds of members of the community. Fortunately, this idea had some legs to it, and other San José neighborhood leaders took notice. In North San José, the city was able to leverage this concept to construct Great Oaks Park as well.

Although these small victories have noticeable impacts on the quality of life in a neighborhood, they fly under the radar of the media and they don't earn accolades and awards. But as E.F. Schumacher reminds us, “small is beautiful.” These small successes sustain the vitality of our neighborhoods.

## **STIRRING INNOVATION AMONG OUR EMPLOYEES**

Finally, “thinking outside the box” often requires us to consult the people required to work within it. If we ask them, our city employees can readily identify the sources of waste and inefficiency in our bureaucracy, and to improve the ways we serve our residents. Various “employee suggestion” and “whistleblower” programs have existed in City Hall since 1965, but it's far from clear what beneficial ideas have emerged from those efforts, or how concerted we've been in really soliciting the best ideas from our employees. The city staff re-packaged



its “suggestion box” with the on-line moniker “e-ideas” in 2011 and saw a flurry of ideas emerge, with over 119 ideas submitted over the first two years. Exactly three of those 119 ideas were actually implemented, and not a single employee has submitted an idea since July 22, 2013.<sup>14</sup>

The report’s conclusion: better software is needed to promote on-line participation. I suspect there’s a deeper problem: very few — about 2% — of our employees’ ideas were ever brought to fruition, and so very little incentive exists for their participation. Human beings know intuitively when they’re being taken seriously.

Of course, many of our city employees feel scapegoated for the city’s fiscal problems. They didn’t create the \$3 billion pension and healthcare mess; elected officials and other leaders did. Yet our employees feel the brunt of public anger for the fallout, and when combined with cuts in compensation, it has created serious morale problems that have undermined performance and service.

The Citizens for Fiscal Responsibility, the Silicon Valley Taxpayers’ Association, and Councilmember Johnny Khamis have all urged the creation of modest financial rewards for money-saving and efficiency-improving employee suggestions. The idea deserves serious consideration. While most HR professionals will tell us that a small monetary bonus won’t necessarily motivate improved performance in the long term, it does focus an individual’s attention on specific steps that can lead to lasting improvement. It can only help to create a program that rewards those employees with implementable ideas that provide measurable savings or results.

A rewards-based program could also chip away at our employees’ hardened sense that they’re viewed only as “the problem,” and not as “the solution.” Accompanying the rewards with more substantial individual public recognition — as contrasted with the somewhat formulaic group recognition offered in the traditional State of the City ceremony — can start to stir a shift in thinking and culture. Residents will recognize the creative thinking happening within City Hall, and our employees will see that innovative, resourceful efforts — going “above and beyond” — are valued.

By empowering City Hall employees and local residents to think more creatively about solutions to our common problems, and by tearing down the bureaucratic and legal walls that inhibit us from action, we can improve the quality of life in San José. Even in times of scarcity, with a flexible approach, we can find the resources to get things done at City Hall.

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# CHAPTER 3:

## Creating High-Wage Jobs and Economic Opportunity in San José

### Introduction: The Hourglass Economy

**STATISTICS** have their limitations. On the one hand, they tell us that Silicon Valley has emerged splendidly from the Great Recession. The unemployment rate for the San José metro area — which includes cities like Sunnyvale and Santa Clara — dropped to 5.8% in December of 2013, and local tech companies can't find enough engineers to fill their cubicles. Corporate expansion and hiring have boosted commercial rent rates in towns across the Valley, and local home prices have rebounded sharply.

Yet little has been said, or written, about the relatively timid performance of San José's economy throughout this recovery. A higher unemployment figure still lingers in the Valley's largest city, which typically warms more slowly than its wealthier suburbs. Among adults in San José lacking a college degree — the great majority of our adult residents — unemployment exceeds 9%. In many Central San José and the East Side neighborhoods, double-digit unemployment rates — and even higher underemployment — prevail. One neighbor of mine has searched earnestly for a desk job since his workplace injury caused his job loss in 2010, and his family struggles to live on food stamps, his worker's compensation benefits and his wife's part-time jobs.

Even among the employed, economists frequently use the term

“hourglass economy” to describe our shrinking middle class over the last quarter-century. Amid news of skyrocketing stock market valuations, and growing affluence among the tech and professional elite, a burgeoning underclass of residents struggles to pay rent. This widening divide reinforces racial and ethnic disparities, even in a region that many would consider less segregated than most. Through the early part of this recovery, per capita income levels among the highest-income groups (white and Asian-American) grew between 2.4% and 5.6% between 2010 and 2012, while it decreased for Latinos and African-Americans by roughly the same percentages (2% to 5%). Per capita incomes for whites in Silicon Valley now exceed that of Latinos by a factor of three — \$62,374 compared to roughly \$19,049 — with the Latino figure painfully declining.<sup>1</sup>

With growing economic polarization, fewer residents fit comfortably in what we might — perhaps too nostalgically — consider the “middle class.” Remarkably, while our tech employers routinely report that they cannot find enough workers to fill their cubicles, we still see thousands of workers, displaced from the Great Recession, able only to work several part-time jobs to get by.



Our underemployed and unemployed neighbors feel their own struggles most acutely, but not exclusively. Parents with multiple jobs relegate their kids to a latchkey existence. Entire neighborhoods struggle. Crime, homelessness, and a host of other urban challenges become increasingly intractable. An underemployed populace cannot provide a tax base to support services, from police to libraries. The entire city suffers.

## **THE SKILLS GAP**

How can so many people simply miss the burgeoning recovery that has so ignited the rest of the Valley? The “skills gap” provides the best explanation: the gulf has widened between economic opportunity and the ability of the workforce to benefit from that opportunity. When

the County’s unemployment exceeded 9% in November of 2011, over three-quarters of the Valley’s employers still reported that they had difficulty finding skilled workers to fill their vacant positions.<sup>2</sup> The Great Recession reduced incomes for Silicon Valley residents with less than a high school diploma by 19.6%, for high school graduates by 15%, but for college graduates by less than 3%.<sup>3</sup> As we recover from that painful period, those with higher education and skills have seen their incomes rebound far more than those whose incomes suffered the biggest reductions.

If the skills gap shapes the contours of today’s hourglass economy, what can a mayor do about it? While education and workforce training ultimately offer the long-term solution to that problem, cities don’t play much of a role in either. San José and other cities rely on the federal government for a declining share of scarce workforce training dollars, and we rely on school districts and the state to run our public education system.

## The Skills Gap – Unemployment Rates and Education Levels

**PERCENT CHANGE IN MEDIAN INCOME BY EDUCATIONAL ATTAINMENT  
2006–2012**

	Silicon Valley	CA	US
<b>Less than High School Graduate</b>	<b>-19.6%</b>	<b>-11.8%</b>	<b>-9.1%</b>
<b>High School Graduate (Includes Equivalency)</b>	<b>-15.0%</b>	<b>-14.4%</b>	<b>-9.7%</b>
<b>Some College or Associate’s Degree</b>	<b>-14.2%</b>	<b>-13.9%</b>	<b>-11.4%</b>
<b>Bachelor’s Degree</b>	<b>-2.8%</b>	<b>-9.1%</b>	<b>-5.1%</b>
<b>Graduate or Professional Degree</b>	<b>-4.5%</b>	<b>-5.8%</b>	<b>-4.9%</b>

Source: Silicon Valley Index 2014, p. 22.

City Hall won’t “solve” the skills gap, at least not without many other partners leading the way. I have publicly proposed a role that a mayor could play in boosting the educational prospects of thousands of our

kids lacking after-school learning opportunities. That proposal focuses on what I call “Winning the War for Talent.”

Even if those partners — the city, schools, community colleges and workforce training partners — do everything right, we know that’s a long-term challenge. As the economist John Maynard Keynes observed, “in the long run, we’re all dead.” So, what do we do in the meantime to expand economic opportunities for our least affluent community members?

## **PRAGMATISM OVER IDEOLOGY**

Advocates on different ends of the ideological spectrum offer many prescriptions. They would have us delve into endless Democrat-versus-Republican battles over the merits and perils of tax cuts, prevailing wages, unionization mandates, and *laissez-faire* approaches to eliminating regulations.

I’d rather transcend those ideological battles. I don’t do so because of any timidity in engaging in political arguments, as my friends and family will grudgingly complain. Rather, the evidence suggests that cities — as distinguished from the state or federal government — are usually poor instruments for redistributing money from one group to another, even if we were to agree that, in the abstract, such mandates were a good idea. One reason is geography: a tax or hiring requirement imposed by City Hall on a developer, investor, or businessperson can readily prompt the flight of their investment capital to a neighboring (and usually wealthier) town, sometimes just a couple of blocks away. The very same mandate by Congress, conversely, appears less likely to force investment to leave the U.S for another country, where an investor must encounter fluctuating currency risks, legal uncertainties, and shifting political terrain. Common wisdom holds that cities that excel economically tend to avoid policies that discourage investment.

Accordingly, I’ll leave the ideological battles to Congress. Cities require pragmatic leadership and problem-solving. Successful big-city mayors generally rise above ideological allegiances and battles. As the late New York City Mayor Fiorello LaGuardia famously remarked, “There is no

Republican way or Democratic way to clean a street or build a sewer, but merely a right way and a wrong way.”

To broaden prosperity in San José, our next mayor must act on a strategy that focuses on the industries and businesses that best create opportunities for our unemployed and underemployed residents.

We must do so in a context of fiscal scarcity, however. We no longer have a pot of Redevelopment Agency funds to spur job development, and our General Fund carries the burden of a \$3 billion unfunded liability in pension and retiree healthcare funds. Any dollars spent on an economic development strategy must return more dollars to the General Fund, or we'll merely be hastening the layoffs of police and closing of libraries.

How can we do this in a time of fiscal constraint? A familiar solution for Silicon Valley, and a familiar theme of this book: innovation. We need to do things differently. To execute on this strategy, we need to rise above our ideological rifts, as Mayor LaGuardia urged, and focus on getting things done.

## **1. Small is Beautiful**

Young, saavy, hard-working, and broke. Those words described Daniel Luna and Jeremy Prader in 2010, when they first conceived of “Cheap Squad,” a low-cost computer repair business on 2nd Street. Their first guerrilla marketing campaign consisted of dumpster-diving for cardboard, which they used to construct 400 signs advertising “cheap computer repair” throughout the Downtown. Today, they have 11 employees, revenues quadrupled last year, and Luna has started a second company.<sup>4</sup>

It has become an adage for every politician with a stained tie and seersucker suit to describe small business as the “backbone of our economy.” Even the worst-dressed politicians are mostly right about this. Although we all appreciate the fact that Adobe, Brocade, and Cisco employ thousands of employees, cities have very little influence over the location, distribution, and scale of job growth in a large

multinational corporation. More importantly, in the recovery from the Great Recession, job growth appears focused in small businesses; U.S. job growth since 2008 in firms with fewer than 50 employees exceeded that of large companies by a multiple of ten in one study, and by several times in another.<sup>5</sup> Self-employment also has boomed, particularly in cities with strong employment growth, like Houston, Dallas, and Phoenix, as thousands of unemployed have “hung up their own shingle.”<sup>6</sup>



Why else should City Hall focus on small businesses? Because it can. Reeling in the “big fish” of large corporate headquarters into a city makes for big headlines, but it’s exceedingly rare. Silicon Valley derives 95% of its local job growth from companies scaling in place, not from an influx of new firms. Meaning we best promote job growth by focusing on helping small companies fledge and flourish.

Finally, this “small is beautiful” strategy exploits a key strength of San José’s — its great diversity. Almost forty percent of San José’s adult residents were born in a foreign-country. Immigrant communities drive small business employment. A November 2008 study by the U.S.



Small Business Administration concluded that immigrants are 30 percent more likely to start a business than non-immigrants. Of course, those immigrant-led businesses include everything from nail salons and taquerias to software developers; indeed, almost half of all venture-funded startup tech companies in the last decade featured a foreign-born founder.

Beyond their obvious economic benefit, the many small, ethnic-focused businesses help to create a longed-for sense of identity for our city, bolstering its vibrancy and variety. In how many other cities can a strolling pedestrian leave a restaurant with a full belly of soba and sushi in the heart of Japantown, and within a couple blocks, also enjoy aromas from Ethiopian, Mexican, and Korean restaurants as well?

## **TRANSFORMING THE RELATIONSHIP BETWEEN SMALL BUSINESS AND CITY HALL**

Marcelino Castillo is an amiable family man who started a successful restaurant, Casa Castillo, then-located on the ground floor of the historic Twohey building on First Street. The restaurant sustained a dedicated following as a popular eatery, through recessions, light rail construction, and other challenges of doing business Downtown. Castillo became a community leader, co-founding what became the San José Downtown Association in the mid-1980s. In 2001, the San José Redevelopment Agency decided that it wanted a more glamorous restaurant to occupy a site visible to visitors of the nearby Fairmont Hotel. The Agency arranged to terminate Casa Castillo's tenure, bringing a higher-end restaurant to fill the space. Feeling betrayed by City Hall, Castro moved on to other work.

Not surprisingly, the “trendier” restaurant, Zing, failed at that site. So did the next restaurant, and the one after that. Several of them benefitted from Redevelopment subsidies for facades, new signs, and the like. In what became known as the “Curse of Casa Castillo,” Downtown denizens found a certain justice in watching a parade of RDA-supported restaurants fail after the agency went to great lengths to kick out a homegrown, ethnic business at the same site.<sup>7</sup>

For too long, the legacy of our past era of redevelopment left the public reading headlines about large public subsidies for sizable corporations like Adobe, Brocade, and UA Theaters. To be sure, our large employers are a linchpin for our city's economic growth, but one reasonably wonders whether scarce public dollars are well-spent if they amount to little more than a rounding error on the balance sheet of a large multinational company. By exclusion, many have expressed the residual sense that City Hall doesn't care about its small businesses.

When the state legislature eliminated redevelopment agencies throughout California in 2010, I immediately focused on ways that we could support small businesses without the large "stash" of redevelopment funds that my predecessors enjoyed. In my Downtown district, we'd seen office vacancy levels skyrocket to over 30% during the Great Recession, causing ripple effects felt by every Downtown restaurant, hotel and store. While some of those office tenants simply went out of business, others moved to reduce leasing costs. They (and their real estate brokers) emphasized that Downtown's parking costs compelled them to move to suburban markets, like Santa Clara and Sunnyvale, where office landlords provided free parking for their employees.

I focused on leveraging the resources we still had in our near-broke city. First, we had city-owned public garages. With the exodus of office tenants, we had plenty of vacancies in those parking garages. So, I proposed an incentive for any small or medium-sized employer signing a new lease — or renewing one — in a Downtown office or retail space: free employee parking in a nearby city garage for half the term of the lease.

The City Council approved the measure, and the impact has been palpable: over the next thirty months, we've seen 160 employers sign new leases — nearly all of them businesses with fewer than 10 employees — filling over half a million square feet of office vacancy. Collectively, those employers brought over 1,000 jobs to Downtown San José, many of them from other cities. Admittedly, the tailwinds of a rebounding economy helped enormously, but more than a few tenants

reported that the incentive made a difference in their location decision.

Second, we also had authority over land use — permits, zoning and the rest. I recognized that ground floor vacancy — with storefront vacancy rates approaching 40% during the worst of the recession — was killing the Downtown. Nonetheless, the city restricted ground-floor uses to anything other than retail, preventing many other interested businesses from locating there. While an appropriate policy in good times, retail was shrinking dramatically throughout the U.S., and those restrictions left Downtown looking and feeling like a ghost town.

I proposed eliminating those constraints, and the Council's approval opened opportunities to bring new non-retail employers that sought a ground-floor Downtown address. Among them: NextSpace, a co-working site on San Fernando Street that provides office space to small businesses, freelancers, and self-employed entrepreneurs seeking a more social environment. NextSpace filled to capacity within months, and now looks to expand. Another prized ground-floor tenant, TechShop, opened a facility on San Carlos with high-tech tools for tech entrepreneurs, engineers, tinkerers, industrial artists, students, and anyone else who wants to use a metal laser cutter or CAD software to give their latest idea a physical form. Not surprisingly, business ideas spawn from TechShop's members routinely, and we hope to keep many of those new ventures in San José.

By transforming City Hall's relationship with small businesses, we can refocus our economic development efforts to boost jobs and living standards in San José. As the two examples above illustrate, basic principles should guide city policy: first, do no harm. Second, we don't need large publicly-funded subsidies to boost businesses, but we do need to leverage our existing assets more effectively.

## **STARTUP SAN JOSÉ:**

### **ENABLING ENTREPRENEURSHIP IN VACANT STOREFRONTS**

This economic recovery has filled many of our malls, from Eastridge to Oakridge to Santana Row and Valley Fair, making them vibrant centers of commercial activity. Those highly-desirable locations typically

command high rents that Macy's and Gap can pay, but largely exclude local entrepreneurs looking to launch a small business there.

In contrast to our bustling malls, we continue to see high rates of vacancy in storefronts in many neighborhood business districts and the Downtown, where ground-floor retail vacancy exceeded 30% during the recession. Among other locations, Alum Rock Avenue, Evergreen Village Square and 2nd Street have all struggled to fill vacancies in recent years. In addition to the lost opportunities for employment, income, and tax revenue, these storefront vacancies deprive our neighborhoods of street life and vitality. They even make us feel less safe, inviting graffiti, vagrancy, and other palpable signs of “broken windows” that invite more predatory crime.

Where malls pose too high a financial barrier to entry, why can't we encourage more small businesspeople to fill these empty spaces? It turns out that the hurdles are pretty high in many of those spaces as well. The heavy costs of doing business in the Valley, particularly in wages and rents, create enough barriers for fledgling entrepreneurs already. Filling empty storefronts also requires costly processes for tenant improvements, permits and approvals — particularly in older buildings that must be “brought up to code” during renovations — that can often burden a small restaurateur or software startup with a bill running in the tens of thousands of dollars.

In early 2013, along with dozens of creative entrepreneurs in organizations like San Jose Made and NextSpace, I launched an initiative, called “Startup San José,” focused on lowering the barriers for those seeking to launch their small business in San José. We started with a proposal to offer to waive city permit fees for a simple tenant improvement in those empty storefronts where the landlord also agrees to reduce the asking price for a lease. In that way, we could lower the barriers to enter the



market for a cash-strapped small business owner. We obtained Council approval in June of 2013, and the pilot project is currently in progress — and as we assess its effectiveness, we'll make needed modifications.<sup>8</sup>

StartUp San José also challenges the community, through online initiatives and events to offer simple, low-cost ideas that would help City Hall leverage the creative entrepreneurial talent and energy in San José to fill empty storefronts and jumpstart small businesses. Since that time, we've pushed additional efforts to provide wireless “boosters” — donated by Ruckus Wireless — to pipe our free outdoor wi-fi service to customers and employees inside Downtown businesses. We've proposed to improve the visibility of starting businesses' websites on search engines like Google and Bing by providing inbound links to the city's public website. As discussed in the next section, I've pushed to launch the city's first “open data” platform, to make bureaucratic permitting processes more responsive to small businesses. As mayor, I want to elevate StartUp San José to represent City Hall's new open-source culture: routinely “crowdsourcing” our innovative community's best ideas for broadening opportunity and expanding middle class jobs in San José.

## **2. Confronting the Bureaucratic Leviathan: Permitting**

The most frequent complaint that I hear from business owners and managers relates to the challenges of getting permits or development approvals from our labyrinthine city departments, such as Planning, Building & Code Enforcement, Fire, Public Works and Environmental Services. One (sadly, not untypical) retailer, who I'll call “John,” told me his horror story: his building and occupancy permits took six months longer than projected, during which time the City lost his architect's plans, he received conflicting mandates from two inspectors from different City departments about the same problem, and his application was “handed off” to three different building officials, so he never knew who to call to try to hasten the process. John complained to me that he lacked the resources to hire an army of consultants to navigate the Kafkaesque city bureaucracy, like big developers do.

This routine would seem comical, if it weren't for the fact that several prospective employees couldn't begin receiving paychecks until John could open his doors. It certainly wasn't funny to John, either, since he still had to pay rent for the space throughout the bureaucratic delay. Worst of all, it's a story told to me routinely from small business owners.

How do we fix this? Mayors and councilmembers shouldn't involve themselves in the day-to-day management of departments like Planning, Building & Code Enforcement; indeed, the City Charter largely prohibits it. Some basic changes in policy and approach can go a long way to improving these processes for all businesses, though.

As we see throughout the private sector, technological innovation can improve transparency and accountability. You can't fix what you can't measure, and we hadn't been doing a very good job of measuring any individual's performance in City Hall. In July of 2013, I proposed an initiative with Councilmember Johnny Khamis to take two important steps toward a solution: employing tracking software and an "open data" platform.

## **TRACKING EVERY PERMIT APPLICATION**

Tracking software is hardly novel technology. We've seen RFID tags commonly used in warehouses for inventory management for many years, for example. As a result, if somebody orders a package from FedEx, they can track the item from its warehouse in Guangdong until it lands on their doorstep, yet if they submit a permit application to City Hall, it disappears into a bureaucratic black hole, not to emerge for months. So, we needed to implement readily available technology to identify the desk on which every applicant's file rests in City Hall, and for how long, and for what purpose.

Aggregating that same "tracking" data does something more: by describing the paths of thousands of such applications through the City Hall bureaucracy, we can identify and quantify the delays at each stage of the process. We can isolate "choke points" and inefficiencies. We increase the accountability of city staff for their individual performance. With data, a good manager can improve the process

by promoting and rewarding high performers, better training staff who struggle to keep up, automating ministerial tasks and focusing resources on problem areas. Most importantly, every City Hall employee becomes accountable for their own performance.

## **OPEN DATA**

We can also improve the process by releasing all of the data that we've collected to the public. Specifically, I've called for launching City Hall's first "open data" platform, in which the city provides a website for free download of all of the data — with the identifying information of applicants appropriately redacted — that the city collects. Open data platforms have enabled innovative software developers in other cities to create smartphone applications to accomplish a host of helpful tasks, from identifying open parking spaces, to warning diners of restaurants with frequent health code violations, to informing transit riders of the arrival time of the next bus.



In this case, by hosting a "hack-a-thon" for similarly civic-minded app developers, we can unleash their innovative skills to create a software to improve our permitting process. For example, that could give San José business customers ample warning to set reasonable expectations based on the average, expected duration for the approval of each specific type of permit. It could provide applicants with "real-time" information about the permit status, and who to call if it appears "stuck," and which supervisor has responsibility for that part of the process. App developers might also find innovative ways to streamline processes, such as by automating them, using web-based tools that eliminate a trip to City Hall.

San José has no shortage of civic-minded app developers — including many bright college students — who want to make our city a better place, and who can "beta test" a potentially successful smartphone app,

using San José as their laboratory. By unleashing their creativity, we can improve the ways that our city serves its residents and boost our local economy.

### **3. “Next-Shoring” Manufacturing: A Plan for Revitalizing Manufacturing in San José**

Manufacturing has long provided a pathway to the middle class for millions of Americans lacking advanced education. Electronic technicians and machinists can earn \$100,000 annually with a high school diploma, far more than similarly-skilled workers could earn in the faster-growing service sector. Economists have long attributed a portion of the much-maligned “hollowing out” of the U.S. middle class to the decline in the American manufacturing sector, which employed 19.6 million Americans in 1979, but only about 11 million today.

In the popular media, one reads much of a hopeful trend of “re-shoring” in manufacturing that — spurred by rising wages and fuel prices in Asia — will bring jobs that will boost the fortunes of thousands of still-struggling U.S. families. A more accurate term for the trend, some experts would argue, is “next-shoring”: manufacturers over the next decade will become increasingly driven to locate close to demand, key suppliers, product design processes and engineering functions.<sup>9</sup> To the extent that those functions are already located within the United States, we should position ourselves for growth in manufacturing. A 2012 Boston Consulting Group report suggests that as much as 30% of America’s current imports from China could be produced domestically by 2020.

Yet even with this expected growth, few expect manufacturers to flock to high-cost cities like San José to mass-produce cheap, simple widgets. Rather, San José must exploit its advantages in high value-added manufacturing. Local manufacturers like Solar Junction — the maker of the world’s most efficient concentrated photovoltaic cells — excel by marrying innovative technologies with the region’s exceptional educational and business ecosystem, enabling the company to move rapidly from prototype to product.



Surprisingly, San José still has a more manufacturing-intensive economy than nearly any other major American city, with more than 17% of our job base in manufacturing, a rate twice that of the rest of California. Recent arrivals in San José — like Bestronics, Vitron and Zoll — increasingly want to locate manufacturing operations near design, research and engineering activities to hasten the feedback loop that spurs innovation. In the last year alone, the California Employment Development Department reported that the South Bay added over 6,700 manufacturing jobs, about one out of every six jobs added during 2013.<sup>10</sup>

How can San José ride this wave of next-shoring to even more tech manufacturing jobs? By focusing on three essentials: sites, space, and skills.

## **SITES**

Having sufficient industrial land available matters, as does its location. As co-chair of the task force that updated San José's General Plan in 2011, we successfully held the line against prior decades' conversion of hundreds of acres of job-rich industrial land to housing. Instead, we focused denser residential growth along transit corridors. We must resist the powerful political and economic forces that have eroded similarly well-intentioned general plans in the past by preserving scarce industrial land.

## **SPACE: REHABILITATING OLDER INDUSTRIAL BUILDINGS**

Second, manufacturers need increasingly scarce industrial space, with modern buildings capable of handling high power demands, extensive wireless infrastructure and sophisticated equipment. The evidence suggests that there exists an enormous pent-up demand for industrial buildings constructed in the last decade, a period in which very few buildings were actually constructed. Of the 40 industrial buildings in North San José/Industrial Business Park area built since 2001, vacancy hovers below 1% of the 2.4 million square feet. The remaining 47 million square feet of industrial space in that area averages 30 years in age and its vacancy exceeds 11%. Among the 8.6 million square feet of industrial

buildings in Edenvale and South San José, the vacancy rate in older industrial buildings exceeds 19%.<sup>11</sup>



Consider the lost opportunity of this “slack” capacity in older industrial buildings: about 6.5 million empty square feet, if properly upgraded, could be providing the site for thousands of blue-collar, middle-wage jobs. Particularly now, with tech booming, and skyrocketing leasing costs throughout the Valley, we need to seize the opportunity to leverage this resource by rapidly facilitating the retrofit of these older industrial buildings for modern manufacturing, research, and development. Doing so could benefit the city in multiple ways. Thousands of mostly blue-collar jobs would emerge. Increased property valuation generated by the installation or upgrade of large industrial equipment would generate revenues for the city and other local governments, to improve San José schools, roads and the police.

A widely-broadcast incentive program could go a long way to market our industrial areas to prospective employers. What kind of incentive? Dumping public dollars on the laps of corporate investors isn't the answer, particularly in a time of budgetary scarcity. Rather, City Hall must cut fees and red tape and simply get out of the way. Politicians often talk of “cutting red tape,” usually it's all vague generalities. Here's my plan:

First, we should waive permit fees for any rehabilitation of legacy industrial buildings in the city, so long as the industrial tenant has signed a lease to expand within, or move into, San José. Any foregone fee revenue — which is typically not more than a few thousand dollars — will be rapidly recovered by taxpayers in the form of recurring property tax revenue resulting from the property investment. We also imposed heavy traffic impact fees on new industrial and office development in North San José, which so deterred jobs that we slashed the fees to jump-start the expansion of several corporate campuses. We should do the same for any owner interested in expanding the square footage of these industrial buildings, to ensure that our local economy provides jobs for everyone, not simply for our tech-savvy, highly educated workforce.

Next, the city should publicly commit to issue every permit for the rehabilitation of an older industrial or research and development building within 45 days of application. We already accelerate such projects using the Special Tenant Improvement and Industrial Tool Installation programs, but we require business customers to pay a much higher fee to do so. We also have no convincing messaging to prospective employers that these programs will actually get those factories up and running in time to enable them to get their products to market.

Finally, we can publicly commit to help equipment-buying manufacturers apply for a recent state sales tax exemption incentive, which became effective in July of 2013, and other incentive programs, such as the Foreign Trade Zone deferral of custom duties and “use tax”-sharing under the existing Business Cooperation Program.

Taken together, all of these efforts could send a clear signal to manufacturers to locate their facilities here; unlike many past “incentive” packages, the city’s taxpayers would be better off, rather than worse.<sup>12</sup>

## **SKILLS**

We should also focus on skills. Unlike your grandfather’s assembly line, manufacturing today involves complex tools requiring technologically skilled operators, managers, and technicians. In recent surveys, local

manufacturers increasingly lament the skills deficit in our blue-collar workforce. We can better leverage existing partnerships like Work2Future to support highly targeted job retraining for veterans and older tech workers.

The City can also connect our community colleges to industry, creating skill-building pipelines through internships and entry-level opportunities. On a couple of occasions, I've played the role of "matchmaker" in helping to connect tech executives to San José State University or Evergreen Community College, to spur conversation about how we could leverage our educational institutions to deliver skills-building directly to the corporate campus or manufacturing plant. Mayors, of course, have a particular advantage in forging those relationships, since we meet with our leading employers frequently. As mayor, I'd elevate the priority of "matchmaking" between our colleges and our employers. These kinds of partnerships can provide students with a clear path to employment and help boost flagging college budgets.

By focusing upon sites, space and skills, we can boost San José's manufacturing base, revive dozens of underutilized warehouses and industrial sites and restore the wages and dignity of thousands of our unemployed and underemployed neighbors.

#### **4. Making our Airport a Jobs Engine: Dynamic Pricing**

Through the last two recessions, Mineta San José International Airport (SJC) has seen a steep plunge in flight and passenger volume. Although San Francisco (SFO) has always boasted more passenger air traffic than SJC, the Great Recession and its aftermath have only exacerbated this disparity. SFO added 7 million passengers since 2008, to 44.3 million in 2012. Meanwhile, SJC's passenger count actually declined, losing 1.4 million passengers, to settle at 8.3 million.<sup>13</sup> Even with a modest uptick in 2013, passenger counts in San José remain roughly 30% lower than their peak in 2001.

Why should people care about declining passenger volume at San José's airport?



Passenger counts have a direct impact on the living standards of employees in San José, since many hotel workers, waiters, cooks, taxi-drivers and airport employees all depend on air traffic at SJC for their livelihoods. The lack of accessible routes and connections also reduces SJC's attractiveness as a transportation hub for job-producing companies that might choose to locate in or near San José. The many manufacturers, shippers and warehousing companies that employ thousands of blue-collar residents, for example, often rely on spare space in the fuselage of passenger commercial jets for their cargo transport. This connection places a premium on boosting air traffic on key routes to keep those employers growing in San José. For these reasons, a single major international route, such as SJC to Tokyo, can have economic impacts on San José running in the tens of millions of dollars.

So, why do passengers seem to be fleeing San José? The drop in passenger volume has little to do with the choice that passengers are making. Planes flying from SJC routinely bear passenger "loads" of 90% or more, among the most crowded planes in the nation. There's plenty of pent-up passenger demand in San José. Rather, the drop results from the decisions airlines make about where to allocate their planes, or more technically, their "routes."

For example, for much of the last several years, SFO has had about three dozen daily direct flights to New York City, and SJC had only one. Not one

*dozen; one flight.* In August of 2012, more than a third of the passengers on those 36 SFO flights drove from their homes in the San José metro area, at least 45 minutes away. Indeed, with a passenger count five times that of San José, SFO directly serves a city with a 20% smaller population and a county with half the population of Santa Clara County.

Incredibly, SFO's gains over San José have accelerated during a time which every economic indicator would suggest that the airlines should add flights to San José (SJC); SJC offers substantially lower costs in fees and charges than SFO, it has a far superior on-time performance for flights than the delay-stricken SFO and dozens of Silicon Valley's CEOs convened by the Silicon Valley Leadership Group have unequivocally demanded more flights at SJC.

In the face of all of these factors — most importantly, the huge pent up demand in Silicon Valley for more flights — why would airlines refuse to increase routes to San José?

The reasons appear complex, to be sure, seemingly defying the laws of economics. Many industry experts concede that airlines possess something of a “herd mentality.” That is, rather than trying to compete for passengers by locating in underserved cities like San José, they will dedicate resources fighting for market share on the high-visibility routes against their established competitors. Airlines know that passengers want easy scheduling with many connecting flight options, and they're more likely to get those connections in SFO than SJC. Airlines would also prefer to prey on competitors' business than create their own, because that latter involves greater risk. This herd mentality merely reinforces disparities between cities: the “rich” airports (like SFO) get richer, and the “poor” airports (like SJC) get poorer.

## **THE POWER OF PRICING**

How can we solve this conundrum? Dynamic pricing. In the private sector, we know that price for any good or service fluctuates with demand. What if we employed the same approach to public sector services, like airport landing fees?

To be sure, the public sector has traditionally relied on flat fees that don't

respond to demand, because nobody likes telling residents that they can't predict what they'll pay for a remodeling permit or a library card.

Those are good reasons for flat fees, flat rates and flat prices, to be sure. But circumstances exist where people — and companies — would willingly pay a fluctuating rate for a scarce public service, and we see that increasingly in transportation.

Consider, for example what we might pay for access to a fast-moving lane during the worse of our freeway commute. On express lanes on Southbound I-680, or at the 237-880 interchange, we have recently seen that toll lanes can enable drivers to bypass traffic where they are willing to pay more to use the lane. The choice of those paying commuters has additional benefit: it actually reduces traffic for everyone else. (For those reasons, I have pushed for the implementation and expansion of express lanes throughout my tenure as the Chairperson and Board Member of the Valley Transportation Authority.) Similarly, in many cities, we see that downtown parking rates fluctuate hourly, depending on the availability of existing parking inventories.

The fees and charges that airports impose on airlines, however, don't change responsively to congestion or traffic levels. That's the problem.

If the price of an airline's use of an airport changes based on the airport's congestion levels, we can encourage carriers to provide service that more adequately responds to demand. Airlines will boost routes to less congested airports — Oakland and San José — if a regional authority increasing landing fees at SFO as congestion peaks, and lowers fees at Oakland or San José. Our Bay Area freeway congestion would benefit as well, since millions of fewer tips need to be taken on Highways 280 or 101 for an hour to get passengers to a plane.

This approach would require a mayor who would take regional leadership among our peer cities.<sup>14</sup> The three regional airports — SFO, SJC, and Oakland — would need to sign an agreement creating a “congestion pricing” regime to alter their airline charges based on the traffic loads at each airport.

Why would San Francisco agree to such an arrangement, which

would impose higher fees on their airline carriers? Simply, they could keep the money. That is, SFO can collect — and keep — all of the fees generated from the charge. They could also shed many of their shorter domestic routes to SJC and Oakland, making room for more lucrative international flights.

Implementing this regional model would require some lobbying of Congress and the Federal Aviation Administration by Bay Area mayors, however. We would need federal authority to expand the small number of airport agencies possessing what is known as “slot control” — the ability to control routes to manage congestion levels — beyond the current slate of autonomous airports in New York City and Washington, D.C.

By obtaining regional concurrence and federal approval, we can use dynamic pricing to incentivize airlines to craft routes that will better serve San José and more efficiently serve the entire Bay Area. In more concrete terms, we can see a boost to the employment prospects and wages of thousands of workers in San José taxis, restaurants, hotels and entertainment venues.

Even with seemingly obscure regulations — such as flight fee structures — innovation can have widespread benefits for local workers who depending on growing flight traffic.

## **5. Our Toughest-to-Employ: From Homeless to Hopeful**

In the previous chapter, I’ve described the extraordinary efforts of Eileen Richardson and the Downtown Streets Team, in providing a “work-first” approach to battling homelessness. By engaging with homeless living in our creeks, they’ve moved dozens into permanent housing by employing them to clean the very creeks they once lived in.

This “work-first” approach offers a promising model for expansion, to better address the fast-growing scale of our homeless population. While several mental illness or drug addiction may pose a barrier to work for many homeless, we know that thousands can work if they can overcome lesser obstacles.



So, I've explored how we can expand on Downtown Streets Team's reach. The only constraint is resources. For example, a company or affluent neighborhood, frustrated with trash, vandalism, or other blight, could pay a fee to the Streets Team to come into their community to clean up. With more fees, DST could expand its scale and provide more homeless with a pathway to self-sufficiency.

This year I'm planning to launch an effort to beautify San José with what I call the "San José Gateways" initiative. Organizations like Goodwill and the Streets Team have a mission to give a "second chance" for employment of hard-to-hire homeless, parolees and others. With their clients, they can provide the means to cleaning, scrubbing, and planting in long-blighted corners of our city, while enabling clients to rebuild their work history and self-confidence. "San José Gateways" will operate around several freeway off-ramps, beautifying them with flowers, routine maintenance, shrubs and murals, welcoming thousands of San José's visitors, workers and residents each day. If this model works, we can expand it to address other areas in need of cleaning and scrubbing throughout every neighborhood in San José.

Cleaning trash, planting trees and flowers and even painting murals can transform how we — and others — view our own city. Simply put, aesthetics matter. Is this a city worth investing in? Is this a city that can govern itself, or is it ungovernable? Is this a city on the ascent, or on a decline? The image of San José is shaped by every encounter, and providing encounters that convey a strong appearance to residents and visitors — particularly to those job creators deciding where and how they'll invest their dollars — can cumulatively affect how and where we choose to invest our time, resources, and energy.

Want proof? When the Knight Foundation asked residents in 26 U.S. cities what attracted them most to their city, "aesthetics" consistently ranked among the top three responses in *every* city — ahead of schools, job opportunities and even public safety. Those cities that ranked highly on these "soft" measures of affinity consistently recorded higher growth in economic output — measured by local GDP — than the other cities.<sup>15</sup>

So, we might agree that it's important to improve the image of San

José at these key entryways, but where will we find the money? I've reached out to several companies interested in leasing a 4' x 4' sign at each freeway off-ramp, offering a simple message: "Welcome to San José — brought to you by Acme Co." For approximately \$5,000 annually, we can fund a single crew to clean, paint, weed, and beautify each site every month for a year. Businesses paying those fees benefit from the exposure to thousands of captive eyeballs entering the city via any freeway off-ramp each day, at a fraction of whatever they'd pay for a larger billboard. So far, two local businesses have agreed to sign on, and we expect more to join as we launch this effort publicly.

The "innovation" offered by Downtown Streets Team is hardly a new one: it's a simple focus on the restorative power and promise of hard work. More complicated solutions will be needed for many homeless individuals, but it never hurts to start by helping those we can, when we can.

## **6. Leveraging our Libraries and Community Centers as Employment Centers**

During the worst of the economic recession a half decade ago, former Library Director Jane Light became renowned for her innovative approach to leveraging very scarce resources to expand access to city libraries in our community. Finding that one out of every four adults used our city libraries to look for a job, Light sought opportunity in crisis; she focused library resources on job-hunters, with librarians dedicating a share of their time to assisting job searches via computer. Library patronage grew, and other cities began to catch on as well.<sup>16</sup>

We've seen federal funding for a city-affiliated job training program called "Work2Future" slashed in recent years — ironically, at the very time when we most need job training and technical assistance with everything from resume writing to job searching to applying for certification programs likely to yield jobs. With the severe cuts, Work2Future has been "spun off" as a non-profit organization, and has pushed forward against an enormous headwind to provide critical job search and training opportunities to many residents. Due to limited

resources, its reach, scope, and impact is greatly constrained, in part because many of our residents have never heard of it.

Light’s “pivot” is instructive. We could push farther and make every library — and perhaps every community center with a publicly-accessible computer — a mini-“Work2Future” center. This approach would create a network of easily accessible locations where residents could obtain not only job search assistance, but also online training for the skills, certification and fluency they’ll need for their next job.

The tools needed to make this vision come to life consist of relatively low-cost software and a few computers. As Salman Khan, the creator of Khan Academy, made famous, sophisticated educational software can provide a low-cost — and in many cases, a completely free — means for residents to learn skills ranging from accounting, to English-as-a-second-language, to software coding. Online testing and grading can provide certifications for users to add their resumes and boost their job prospects.

The City of San José already has access to over 1,500 free licenses for online training software by Metrix, an expansive learning management system. With over 7,000 classes to choose from — ranging from project management certification to word processing — this software could enable hundreds of residents to learn critical job skills in multiple languages. The only cost to the city: the operation and maintenance of existing public computers. Depending on budget and resident need, the city could pass along the cost of any additional software licenses to new users for as little as \$60 per person for access to 7,000 classes.

With a concerted partnership, and a relatively small commitment of resources, we can do much more for our unemployed and underemployed residents. By cross-training librarians and librarian assistants to meaningfully assist job-seekers and skill-seekers, we could also provide a pathway for promotion, better earnings and improved career skills. Indeed, by becoming employment resource specialists, our own library staff could boost their incomes and skills — a worthwhile consideration in light of the substantial cuts to their wages in recent years.<sup>17</sup>

Most importantly, by distributing these services throughout the community — particularly in our neediest neighborhoods, we can better ensure that the information reaches the people who need it. Bilingual staff in a local library seem far more accessible and familiar to residents than a formal government bureaucracy. For those with internet access at home, we can ensure that anyone with a library card account can use training software remotely, through a cloud-based service. Our residents will have greater access to the information they need to boost skills and opportunities in the way they need it.

Of course, these ideas are neither entirely new, nor mine alone. Los Angeles, for example, recently piloted an effort to use its public libraries as a mechanism to help adults receive high school diplomas.<sup>18</sup> Here in San José, Jane Light’s successor, Library Director Jill Bourne, appears to share her predecessor’s penchant for innovation, and has already begun to dip her toe in this water. She recently hired a division manager to boost self-directed, computer-aided learning for employment and after-school youth education. One of her librarians, Kim Nguyen, recently launched a unique economic skills-building program called “Sew What?” at the Biblioteca Latinoamericana, which serves the predominately Spanish-speaking neighborhood in Washington. By providing her library patrons with access to donated sewing machines, sewing lessons and financial literacy classes, the program seeks to help residents launch cottage businesses to help boost their incomes.

A vision that encompasses a more focused and broadly marketed effort could go a long way here. A geographically-distributed approach for job training and search services could vastly improve the career prospects for thousands of our residents, all at a relatively low cost. When considering the aggregate social, educational and economic impact of such a program, it seems well worth the investment.

## **7. The Longer View: A Mayor’s Role in Education**

Earlier this year, I launched a public conversation with San José parents, residents and educators about schools. More specifically, we discussed how we could marshal the resources to extending learning

time in the school day for many of our kids lacking access to after-school programs and sports. Parents cheered. Their eight-year olds groaned. Some politicians and pundits have since weighed in, arguing that focusing on schools will divert a mayor from priorities like hiring cops and repaving streets.

It's certainly true that San José's mayor shouldn't take over schools. There's plenty of politics in schools already.

Yet if we share concerns about a Valley with a widening income gap and opportunity gap, then our schools need our engagement — not just a Mayor's involvement, but everyone's involvement. According to the Silicon Valley Education Foundation, sixty-two percent (62%) of the teens entering high school in one of San José's three major public districts *will fail to graduate satisfying the minimum entrance requirements of our California State University system*. Consider that statistic for a moment: almost two-thirds of our San José students don't graduate high school with a clear path to college.

More statistical fodder: three San José students drop out of high school for every 10 that graduate.

Without a path to college or even a high school diploma, what chance do our kids have to obtain employment that will earn them a sufficient salary to be able to afford to continue living in our Valley?

Very little. Economists can predict most of the difference in residents' per capita incomes among American cities with a single statistic: the percentage of adults with a college degree.

Simply, we cannot sit idly by. Inaction condemns another generation to low-skill jobs, widening San José's already-yawning gap between rich and poor.

Even beyond these very serious concerns about the opportunity gap, our next mayor must "get" a simple fact: supporting public education is critical to a host of outcomes that every Mayor should care about, such as improving public safety and city services. We know intuitively that improving schools reduces crime and stymies gang recruitment.

Indeed, the California Dropout Research Project estimates that halving the dropout rate in San José high schools would prevent some 228 violent crimes here.

Better schools also generate new tax revenue for cities without raising tax rates. Why? A district's API scores drive property valuations, as any relator can attest. Property tax constitutes the City's largest source of revenue. If we want to pave more streets and hire more cops, we need more revenues, and good schools are critical.

### **WHAT CITY HALL CAN DO TO SUPPORT PUBLIC EDUCATION**

There are many more reasons why mayors — and each of us — should care about schools. Not the least of those reasons should be the well-being of our kids. Mayors also care about issues — public safety, jobs, city services and tax revenues. Since schools profoundly affect all of those issues, they deserve substantial mayoral attention.

Naturally, many elected officials get this, so we publicly support libraries, crossing guards and school safety on campus. All of these are noble endeavors, to be sure. Like several colleagues of mine, I have championed budgetary proposals to expand library hours and the crossing guard program, as well. Yet, beyond supporting libraries, crossing guards and other traditional city services, what can a fiscally-strapped city really do for our students?

More than we might think.



First, as Mayor, I intend to deepen our partnerships with school districts — whose revenue is tied to students' daily attendance — to expand our truancy abatement program. Engaging San José Police to work with parents and teachers to prevent kids from cutting class has demonstrably reduced student absences and daytime crime, particularly burglaries. Why? Because a strong link exists between property crimes like burglaries and high school truancy: when kids cut class, they're often up to no good.

Second, an effective mayor can rally adults to get more engaged with our schools. I had the benefit of piloting this concept through my efforts to launch the “1,000 Hearts for 1,000 Minds” tutoring initiative with Silicon Valley Leadership Group CEO Carl Guardino. Ample research has shown that one-on-one tutoring constitutes the most cost-effective means of boosting achievement among struggling students. We live in a Valley with thousands of the most high-skilled, well-educated adults in the nation, and many might be willing to offer an hour or more of their time each week to help a young child. Yet many of those time-starved, hard-working tech and professional workers don't know what volunteer options might exist near their homes or workplaces.

So, we brought over a dozen great non-profit organizations together that already run tutoring programs, such as Reading Partners and YMCA, to create a single “one-stop” umbrella organization and website that could pitch employees at local tech companies to volunteer as a tutor. Several of my council colleagues helped us launch the program, and we've already engaged over 500 adults in tutoring public school students through these programs. With the benefit of a Mayor's bully pulpit, we could scale this program and really move the needle on student success.

Third, City Hall can ease the biggest obstacle for expanding innovative, high-performing public schools: securing sites and permits for new campuses. Both traditional public districts and public charter schools have demonstrated the benefits of efforts to launch “small schools” and charters that can offer more innovative approaches to education that are particularly effective for kids in struggling neighborhoods.

We all agree that our next mayor must reduce crime, support economic growth and improve city services. By supporting great public schools, we can accomplish these goals.

Our children, however, can accomplish much more.

## **8. “Winning The War for Talent”: A Vibrant Urban Center**

We face another long-term threat to our city’s continued economic growth, but it hasn’t been discussed publicly in this Mayoral campaign. It should be, because the battle for San José’s — and indeed all of Silicon Valley’s — economic future lies in winning what some call the “War for Talent.”

Every major metropolitan area in the U.S. has sought to capture the young, innovative engineers, coders, designers and professionals that drive our fastest-growing tech companies. Those cities that succeed in doing so — Austin, Boston, New York City, San Francisco and Seattle, among them — attract those employers seeking that talent, and their cities reap the rewards: more jobs, more revenue, and better services and quality of life.

Silicon Valley’s success over the last half-century has depended on its ability to grow and attract a highly skilled workforce, but troubling signs have emerged. Young tech innovators increasingly flock to more urban, vibrant communities over the predominantly suburban Santa Clara Valley. Even if “Generation Yers” could afford to live in Valley suburbs — and they can’t — they won’t. They increasingly choose to live in cities with more diverse social offerings, or an edgier cultural scene.

Why should we care?

Where goes the talent, so go the companies. Consider the many young stars in the tech constellation — such as Twitter or Yelp — that have launched San Francisco headquarters, along with larger but still fast-growing companies like Salesforce. Others, like Pinterest or Pulse, moved from the burbs into San Francisco to creep closer to



their employees. More than one observer has rung the alarm over the diminishing role Silicon Valley as a magnet for young, innovative talent, relative to the fast-growing start-up scene in San Francisco. Where those employers go, so go thousands of other employers' jobs at all income levels, since many businesses exist to support those driving industries. Consider, for example, all of the business services, restaurants, and retail stores that cater to those employees.



While some Valley companies, such as Yahoo! or Google, will transport thousands of young San Francisco residents on buses to their suburban campuses every day, this comes at a significant cost to their bottom line, and appears far from sustainable. As transporting talent becomes more challenging, Valley companies simply grow elsewhere. When Facebook launched its Manhattan engineering office in 2011, an executive told the media, “We are looking for the smartest folks, the best place by a large margin was New York.” Ouch. Adobe may call San José their headquarters, but when it comes to hiring young talent, it has been happening overwhelmingly in their San Francisco outpost and elsewhere.

Our next mayor must be focused on cultivating, attracting, and retaining the most innovative, creative, skilled private sector workforce. To do so, we’d all agree that we must “grow our own” talent, as I’ve described above, and the mayor must play a leading role in education. But talented engineering, design and business graduates of San José State University are increasingly choosing to move elsewhere to begin their careers.

So, we also must create Silicon Valley’s “urban option”: a vibrant Downtown and surrounding “urban villages” that will retain and attract those residents — young and old — that want to live in a more vibrant, amenity-rich environment.

How, exactly, do we do that?

It helps to start by reflecting upon what we all crave about the cities we love. One fact is certain: we do not experience great cities chained to the steering wheel of our cars moving 45 miles per hour down an expressway.

Rather, we experience great cities on foot. And we love great cities for their great outdoor public spaces. In the parks, plazas and paseos of our city's villages, the places where we can encounter a farmer's market, an outdoor café, a guitarist playing for passersby, an oil painting show or an outdoor zumba class. It requires an attention to the details that capture our fancy — as Connie Martinez calls them, the “little wonders” — such as a distinctive mural or an inviting storefront. In those public spaces we encounter each other, and a city's identity is forged.

These are the experiences that we all crave — and that talented urbanites flock to. And we can have them, but only if we collectively engage in the work of deeply caring about how we design and build a city. We can focus on those public spaces that provide opportunities for great pedestrian experiences. Well beyond Santana Row, we can provide those inviting urban experiences in Evergreen Village Square, on Alum Rock Avenue, Lincoln Avenue, North First Street and other key business districts and neighborhood villages throughout the San José.

## **DOWNTOWN**

Of course, the location where we can have the greatest impact is Downtown, because it offers the only location with capacity for growth and development as a vibrant urban center. My strategy for revitalizing Downtown has diverged from the approach of decades past, a strategy that depended on millions in Redevelopment Agency subsidies for development. Rather, I've focused on adding the key ingredient for revitalization of any city: people.

Every retail expert, broker, and store owner will tell you they'll only open a shop if they see feet on the sidewalk. And for too many years, Downtown has been devoid of people; one Downtown business owner sadly joked a few years ago that he could shoot a cannon down 1<sup>st</sup> Street

on a Saturday afternoon, and not hit anyone. Subsidizing stores and restaurants with taxpayer dollars won't change that dynamic any — people will.



So, I've pushed various incentive programs to bring people into our core. I haven't done so with taxpayer dollars; rather, I've focused by cutting onerous city fees and committing to faster timelines for permits. A high-rise fee reduction that I championed has resulted in several new towers breaking ground last year and in 2014, bringing over 2,000 new housing units into our core. (Along the way, we'll boost property and other tax revenues to the City by millions of dollars with that development.) Anticipating the arrival of thousands of new residents, we've seen 43 restaurants and retail businesses open their doors in the last 18 months, along with the ground-breaking of a Whole Foods store.

As I noted earlier, with hundreds of vacant parking spaces in 2011, I pushed to offer cut-rate parking in public garages for employers who sign leases in Downtown. Since that time, 160 businesses have signed up, bringing over 1,000 new employees into our core, filling over 600,000 square feet of previously vacant office and retail space.

I also pushed for transportation and infrastructure development that would bring people into Downtown, championing the successful 2008 BART measure and a bus-rapid-transit system, both of which are under construction today. My longstanding efforts to bring car-

share (“ZipCar”) and bike-share systems into Downtown have recently taken shape, and we are finally starting to develop a transportation infrastructure suitable for a major U.S. city.

As we’re preparing for the people, our focus must turn to those public spaces I referred to earlier: the parks, paseos, and plazas. The vibrant San Pedro Urban Market has demonstrated the benefits of a focus on creating public outdoor/indoor spaces for eating, live music, and public gathering; developers have flocked to invest half a billion dollars in new high-rise towers nearby. The Downtown Rotary Club and the City have partnered to launch a fully accessible children’s play garden in Guadalupe River Park, a regional attraction that will bring vitality needed to sustain a “Central Park” for our residents. I’ve pushed a partnership with a national non-profit, the Levitt Foundation, to construct an outdoor pavilion that will transform the blighted but historic St. James Park to an outdoor center for free stage performances and live music, with millions of investment from Levitt and nearby developers. We’ve completed paving six miles of trails connecting Downtown with North San José along the Guadalupe River, and are pushing south with new trail connections to Willow Glen and beyond. Working with businesses and arts venues on South First Street, we’ve recreated the Parque de los Pobladores into a community gathering space for performances and celebration at the southern gateway to our Downtown, fronting hundreds of new apartments now under construction.

Partners such as the San José Downtown Association have been critical in leading this activation of Downtown’s public spaces. SJDA has worked with the City to cut fees and encouraged restaurants to open outdoor seating on sidewalks and streets, to entice outdoor vendors and food trucks, and promote street festivals. Downtown businesses have agreed to tax themselves to pay to bring flowers, murals, graffiti-cleaning, street washing and additional police patrols to Downtown. Under the leadership of SJDA and San José Jazz, a “live music” strategy thrived, filling Downtown restaurants, hotels, and other venues with bands and crooners seven days a week. In partnership with Ruckus Wireless and SmartWave Technologies, we’ve launched

the fastest public outdoor Wi-Fi service in America. The U.S. Patent Office announced its opening Downtown in 2015, and various schools, including the University of San Francisco, have expanded campuses into Downtown. San José State University has opened its campus lawns to community-wide events, such as Silicon Valley Symphony’s Target Pops Festival.

All of these community partners will rightfully share the credit for Downtown’s emerging renaissance. The resulting surge in urban amenities has created an environment attractive to what Richard Florida calls “the creatives”: those innovative people who seek distinctively urban amenities of cultural vibrancy, unique restaurants, diversity, technology, education, and entertainment options.

Of course, we’ve still got a long way to go. The question is whether we will have the leadership in the coming decade to take Downtown — and all of San José — to the next level.

As competing demands for resources arise, too often debates devolve into turf battles about “Downtown versus the Neighborhoods.” As the entire Valley’s future will increasingly depend on our success in creating a vibrant urban center, we’ll recognize this as a false choice. We need both: a vibrant urban center for all of San José, and great public spaces in each of our neighborhoods.



Fortunately, great possibilities await us.

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1. Joint Venture Silicon Valley, *Silicon Valley Index 2014*, pgs. 18–19  
<http://www.jointventure.org/images/stories/pdf/index2014.pdf>

2. NOVA Workforce Development (December 15, 2011). Press release: “Silicon Valley in Transition update: Tech Employment Growth to Continue Despite Global Economic Challenges.”

3. *Silicon Valley Index 2014*, p. 22

4. *Silicon Valley Business Journal* (May 24, 2013). “Daniel Luna, Jeremy Prader: How we dumpster dived and thrived.”

5. Shane, S. “Small-business job creation better than we think.” *San Francisco Chronicle*, April 29, 2012.

6. Kotkin, J. "The Rise of The 1099 Economy: More Americans Are Becoming Their Own Bosses." *Forbes*, July 25, 2012.
7. Sal Pizarro, "Blackbird Tavern Aims to End the Curse of Castillo," *San Jose Mercury News*, June 22, 2013. [http://www.mercurynews.com/sal-pizarro/ci\\_23514276/pizarro-san-joses-blackbird-tavern-aims-break-curse](http://www.mercurynews.com/sal-pizarro/ci_23514276/pizarro-san-joses-blackbird-tavern-aims-break-curse). Today, Marcelino Castillo manages a store at Valley Fair. Only recently was the curse of Castillo broken – appropriately, by a couple of creative, homegrown Downtown residents and veteran businesspeople, Chris Esparza and Brendan Rawson, who launched Blackbird Tavern in the summer of 2013.
- A similar RDA-prompted coup of a collection of local ethnic businesses in the Tropicana Shopping Center in the middle of the last decade prompted years of litigation, ultimately forcing the City of San Jose to pay a large damages award.
8. Initially, City staff sought to restrict the program to businesses other than restaurants, and the City Attorney insisted that the program be limited to "grants" to pay for City fees rather than fee waivers. The response was tepid. City administrators are now appreciating the need to lift those restrictions, and to simplify the implementation of the initiative.
9. See Katy George, Sree Ramaswamy, Lou Rassey, "Next-Shoring: A CEO's Guide," *McKinsey Quarterly*, 2014:1, pp. 27–39.
10. State of California Employment Development Department (April 18, 2014). "San Jose-Sunnyvale-Santa Clara Metropolitan Statistical Area (MSA) (San Benito and Santa Clara Counties): Seasonal gains in leisure and hospitality led month-over job changes."
11. Jones Lang LaSalle Q2 2013 Market Data, as reported by Chris Burton, "Strengthening Manufacturing in San Jose," September 12, 2013.
12. City Hall can also help by providing spaces for demonstration and testing of early-stage technologies. This year, "Prospect SV" will launch, transforming a City-owned warehouses into manufacturing, laboratory, and office space for clean tech manufacturers to develop prototypes. Unlike past RDA-funded incubators, sophisticated partners like Applied Materials and Lawrence Berkeley National Laboratory will drive this effort. We can also expand the use of San José's streetscapes and buildings as "public laboratories," to demonstrate local manufacturers' prototypes, as Transportation Director Hans Larsen has pioneered with LED smart-lights, low-emissions concrete, and electric car-charging stations.
13. Happily, for the first time since the great Recession, we have seen mild rebounds in passenger volume at SJC in 2013, as a result of an effort led by Silicon Valley Leadership Group — a task force on which I've served with the Mayor and a dozen Silicon Valley executives — to engage airline decision-makers with peer-to-peer conversations about where corporations they need routes to serve demand for business travel. Nonetheless, even with new routes to Tokyo, Guadalajara, and other destinations, the passenger growth will not approach anywhere near the levels seen even a decade ago.
14. I have already proposed a congestion pricing approach in my role on the boards of the Regional Airport Planning Committee (RAPC) and the Metropolitan Transportation Commission (MTC). The staff for those agencies are currently analyzing the concept.
15. Knight Foundation, "Soul of the Community 2010" <http://www.soulofthecommunity.org>
16. Brustein, J. "It Has Computers, Gives Advice and Is Free." *The New York Times*, March 25, 2009.
17. Our library employees, by the way, remain among our lowest paid city employees, but are both highly skilled and highly educated. The compensation cuts that have afflicted many other categories of city employees have afflicted them as well, affecting morale and retention.
18. Badger, E. "The L.A. Public Library Is About to Start Offering High School Diplomas." *The Atlantic*, January 10, 2014.

## ABOUT SAM LICCARDO

**SAM LICCARDO IS A CANDIDATE FOR MAYOR FOCUSED ON MAKING OUR CITY SAFER, OUR ECONOMY STRONGER AND OUR GOVERNMENT MORE RESPONSIVE AND RESPONSIBLE.**

He represents San José's Third District on the San José City Council, one of the most diverse communities in our city. Prior to winning election to City Council, Sam served in the Santa Clara County District Attorney's Office as a prosecutor of sexual assault and child exploitation crimes and as a federal prosecutor.

On the city council, Sam worked with Mayor Chuck Reed to reform pension costs, saving taxpayers \$25 million this year alone. Sam then authored the plan to use those savings to hire more cops. He's also pushed for a return to community policing and better technology to make neighborhoods safer.

And Sam's fought against government waste and inefficiency, successfully shutting down programs that were costing taxpayers millions of dollars without getting results while working to eliminate bureaucratic red tape for small businesses and residents.

Sam and his wife, Jessica García-Kohl, live in downtown's Northside— not far from where Sam's grandfather founded and ran a neighborhood grocery store, which was a center of life and assistance for generations of long-time residents and new arrivals to San José.

After graduating from Bellarmine College Prep in San José, Sam attended Georgetown University. Sam graduated magna cum laude in 1991, and two years later, he enrolled at Harvard Law School and Harvard's Kennedy School of Government. After graduating with a law degree and a master's degree in public policy, Sam returned to the Bay Area in 1996.



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